



BUDGET BOOK

2020-2021

Mark Maidment CPFA

**Director of Resources &
Deputy Chief Executive**

Budget Book 2020/21

Each year the Council sets detailed revenue & capital budgets. The revenue budgets relate to the income & expenditure incurred on the day to day running of the Council. The capital budgets include income & expenditure that will yield benefit to the Council over a period of more than a year (e.g. roads, buildings).

Produced by Financial Control
Resources Directorate

We are continuously trying to improve the content & presentation of all our financial publications & would welcome any suggestions from readers.

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SECTION B

COUNCIL'S REVENUE BUDGET 2020/21
SUBJECTIVE SUMMARY OF
EXPENDITURE AND INCOME

	<u>2019/20</u> <u>Estimate</u>	<u>2020/21</u> <u>Estimate</u>
<u>Expenditure</u>		
Employees	49,066,600	49,495,100
Premises	13,357,100	13,501,100
Transport	3,284,500	3,229,700
Supplies & Services	19,283,100	19,583,800
Third Party Payments	141,685,500	146,033,800
Transfer Payments	226,824,700	234,861,800
Support Services	744,200	1,692,400
TOTAL EXPENDITURE	454,245,700	468,397,700
<u>Income</u>		
Adjusted Dedicated Schools Grant	(155,728,000)	(165,508,000)
Government Grants	(96,898,900)	(98,140,100)
Other Grants & Contributions	(6,215,700)	(6,247,700)
Customer & Client Receipts	(59,267,400)	(56,668,400)
Interest		(65,700)
Internal Charges		(4,458,700)
TOTAL INCOME	(318,110,000)	(331,088,600)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	<u>136,135,700</u>	<u>137,309,100</u>
Central Items	(4,927,700)	(684,100)
NET EXPENDITURE (CONTROLLABLE)	<u>131,208,000</u>	<u>136,625,000</u>

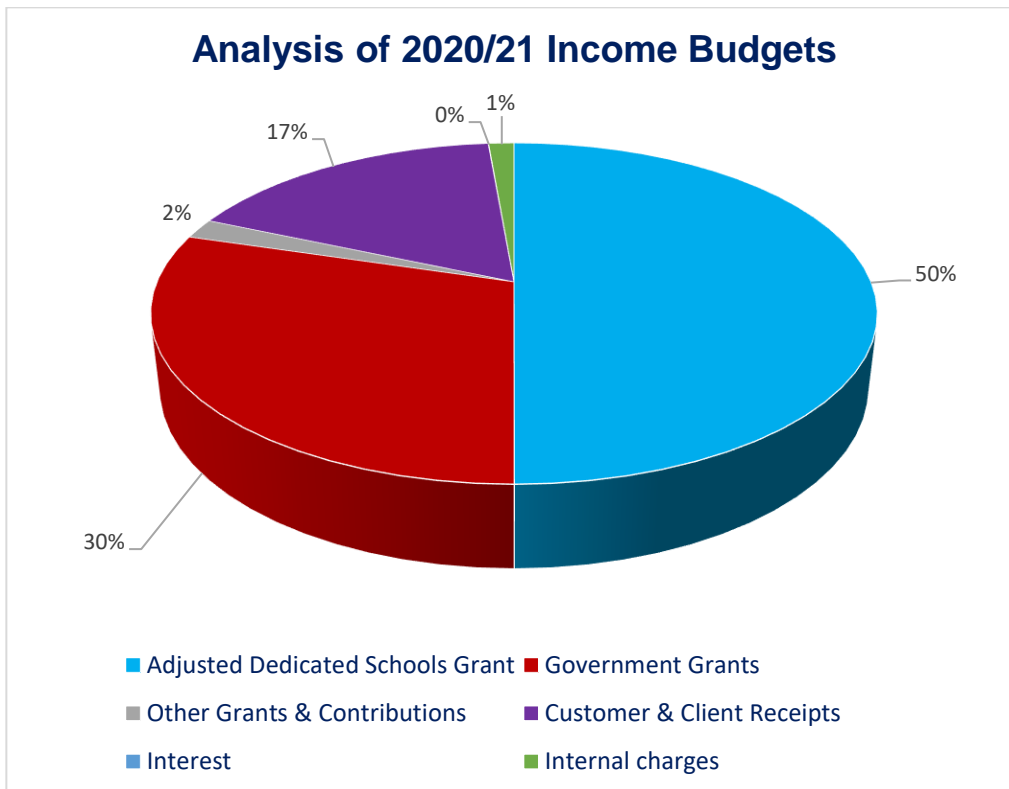
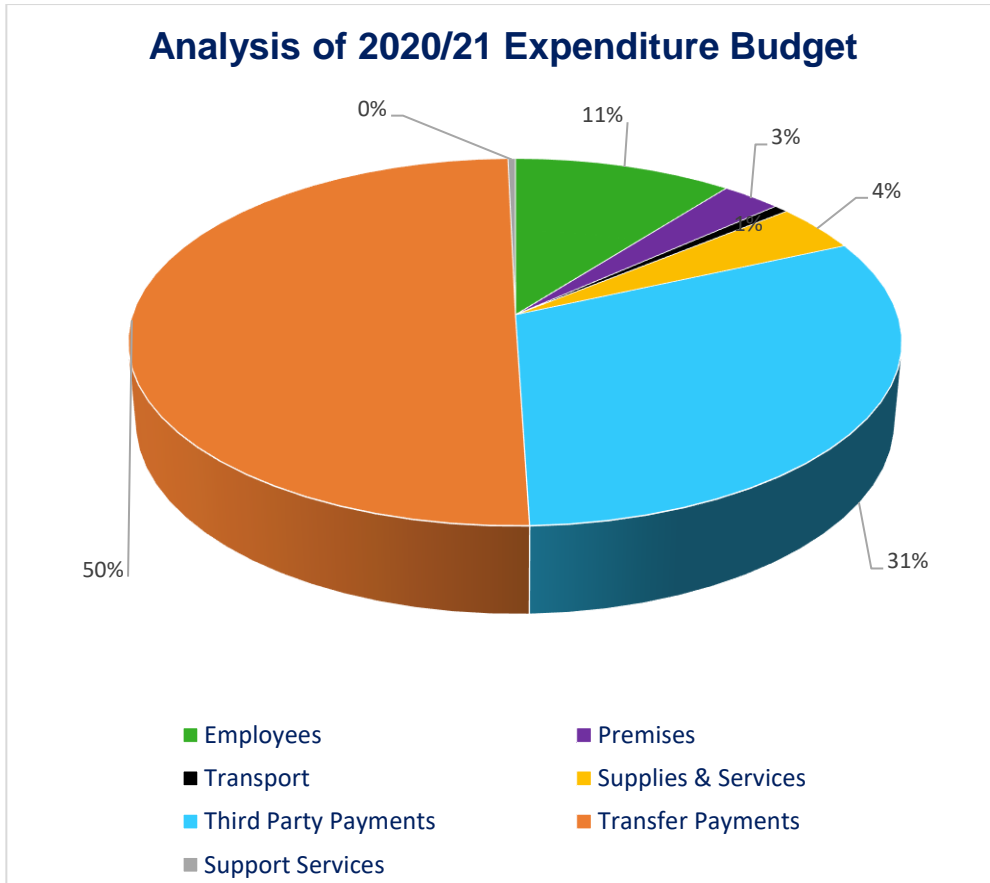
	2020/21 Budget
<u>Variation Analysis (Excluding Schools)</u>	£
2019/20 ORIGINAL BUDGET	131,208,000
Inflation	4,015,200
Changes in Government Grants	(1,692,500)
Other Government or Outside Body Changes	206,100
Demand Led Growth	4,060,800
Efficiency Savings	(3,964,800)
Investment Priorities	2,247,000
Income Generation	415,600
Other Growth & Savings	777,800
Budget Transfers	183,000
2020/21 ORIGINAL BUDGET	136,625,000

SECTION B

SUBJECTIVE ANALYSIS BY SERVICE - BUDGETS 2020/21

	Education and Childrens Services	Adult Social Services, Health & Housing	Environment, Sustainability, Culture and Sports Services	Finance, Policy & Resources	Transport and Air Quality	TOTAL
<u>Expenditure</u>						
Employees	254,700	16,375,800	12,208,700	17,198,700	3,457,200	49,495,100
Premises		767,600	4,285,000	5,942,600	2,505,900	13,501,100
Transport		1,239,000	842,300	167,900	980,500	3,229,700
Supplies & Services	4,177,700	4,162,000	2,830,100	6,781,000	1,633,000	19,583,800
Third Party Payments	59,070,900	61,245,200	17,528,000	2,968,100	5,221,600	146,033,800
Transfer Payments	151,781,800	9,762,100		73,317,900		234,861,800
Support Services		254,700	309,700	1,099,500	28,500	1,692,400
Total	215,285,100	93,806,400	38,003,800	107,475,700	13,826,700	468,397,700
<u>Income</u>						
Adjusted Dedicated Schools Grant	(165,508,000)					(165,508,000)
Government Grants	(12,019,400)	(20,896,000)		(65,224,700)		(98,140,100)
Other Grants & Contributions	(1,772,000)	(4,269,000)	(104,100)	(102,600)		(6,247,700)
Customer & Client Receipts	(118,900)	(15,848,200)	(13,746,600)	(9,061,700)	(17,893,000)	(56,668,400)
Interest				(65,700)		(65,700)
Internal charges		(1,036,100)	(424,300)	(973,600)	(2,024,700)	(4,458,700)
Total	(179,418,300)	(42,049,300)	(14,275,000)	(75,428,300)	(19,917,700)	(331,088,600)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	35,866,800	51,757,100	23,728,800	32,047,400	(6,091,000)	137,309,100
Central Items				(684,100)		(684,100)
NET EXPENDITURE	35,866,800	51,757,100	23,728,800	31,363,300	(6,091,000)	136,625,000

SECTION B



EDUCATION AND CHILDREN'S SERVICES

Should you have any queries concerning the Education and Children's Services pages please contact:

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SECTION C

EDUCATION AND CHILDREN'S SERVICES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Achieving for Children	35,283,600	35,575,200	35,866,800
Total Education and Children's Services	<u>35,283,600</u>	<u>35,575,200</u>	<u>35,866,800</u>

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	35,283,600
Inflation	381,200
Changes in Government Grants	(1,209,600)
Other Government or Outside Body Changes	0
Demand Led Growth	1,774,000
Efficiency Savings	(412,400)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	50,000
2020/21 ORIGINAL BUDGET	<u>35,866,800</u>

SECTION C
EDUCATION AND CHILDREN'S SERVICES

SUBJECTIVE ANALYSIS

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
<u>Expenditure</u>			
Employees	249,700	249,700	254,700
Premises	0	0	0
Transport	0	0	0
Supplies & Services	4,438,200	4,378,200	4,177,700
Third Party Payments	55,932,000	56,920,700	59,070,900
Transfer Payments	97,293,800	99,604,800	99,471,800
Support Services	0	0	0
TOTAL EXPENDITURE	157,913,700	161,153,400	162,975,100
<u>Income</u>			
Government Grants	(120,739,200)	(123,687,300)	(125,217,400)
Other Grants & Contributions	(1,772,000)	(1,772,000)	(1,772,000)
Customer & Client Receipts	(118,900)	(118,900)	(118,900)
Interest	0	0	0
Recharge Income	0	0	0
Internal charges	0	0	0
Schools Income	0	0	0
Inc Faadj	0	0	0
TOTAL INCOME	(122,630,100)	(125,578,200)	(127,108,300)
NET EXPENDITURE (CONTROLLABLE)	35,283,600	35,575,200	35,866,800

SECTION C

EDUCATION AND CHILDREN'S SERVICES

Achieving for Children

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Achieving for Children Contract	52,468,300	53,957,000	56,629,500
Grant Funding	(21,666,400)	(22,817,700)	(25,003,100)
Children's Retained costs	369,600	323,800	328,300
Schools PFI	1,288,400	1,288,400	1,088,400
Public Health	2,823,700	2,823,700	2,823,700
Peripatetic Staff	0	0	0
	<hr/> 35,283,600	<hr/> 35,575,200	<hr/> 35,866,800

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	35,283,600
Inflation	381,200
Changes in Government Grants	(1,209,600)
Other Government or Outside Body Changes	0
Demand Led Growth	1,774,000
Efficiency Savings	(412,400)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	50,000
2020/21 ORIGINAL BUDGET	<hr/> 35,866,800 <hr/>

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Should you have any queries concerning the Adult Social Services, Health and Housing pages please contact:

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SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Housing & Regeneration			
Housing Management	150,700	135,200	31,200
Housing Services	2,641,600	2,649,700	2,615,200
Other Housing	490,600	490,200	490,200
Adult Social Care & Public Health			
Adult Service Operations	45,375,900	45,305,500	45,687,500
Commissioning and Quality Standards	7,660,700	7,571,500	7,656,500
Public Health	(7,429,200)	(7,415,600)	(7,520,300)
Business Resources	2,440,100	2,548,700	2,541,500
Environment & Community Services			
Highways Operations & Streetscene (PSH)	247,900	246,400	255,300
Total Adult Social Services, Health & Housing	51,578,300	51,531,600	51,757,100

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	51,578,300
Inflation	174,200
Changes in Government Grants	(1,481,800)
Other Government or Outside Body Changes	508,900
Demand Led Growth	1,786,800
Efficiency Savings	(743,100)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	17,500
Budget Transfers	(83,700)
2020/21 ORIGINAL BUDGET	51,757,100

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

SUBJECTIVE ANALYSIS

	<u>2019/20</u> <u>Original</u> <u>£</u>	<u>2019/20</u> <u>Revised</u> <u>£</u>	<u>2020/21</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	15,889,700	16,363,300	16,375,800
Premises	703,600	763,200	767,600
Transport	1,270,600	265,400	1,239,000
Supplies & Services	3,027,400	3,250,300	4,162,000
Third Party Payments	59,775,000	60,807,500	61,245,200
Transfer Payments	9,450,900	9,261,600	9,762,100
Support Services	264,700	254,700	254,700
TOTAL EXPENDITURE	<hr/> 90,381,900	<hr/> 90,966,000	<hr/> 93,806,400
<u>Income</u>			
Government Grants	(19,449,800)	(19,375,000)	(20,896,000)
Other Grants & Contributions	(3,918,200)	(4,215,400)	(4,269,000)
Customer & Client Receipts	(14,499,500)	(15,773,200)	(15,848,200)
Interest	100,000	0	0
Internal charges	(1,036,100)	(70,800)	(1,036,100)
TOTAL INCOME	<hr/> (38,803,600)	<hr/> (39,434,400)	<hr/> (42,049,300)
NET EXPENDITURE	<hr/> 51,578,300 <hr/>	<hr/> 51,531,600 <hr/>	<hr/> 51,757,100 <hr/>

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Adult Services Operations

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Adult Service Operations Teams	6,585,400	6,812,000	6,812,200
Early Help & Enablement Services	817,200	704,600	604,600
Services for Older People, Sensory & Physical Disabilities	14,021,500	12,908,800	13,612,400
Services for Adults with Learning Disabilities	20,004,700	20,447,500	20,288,000
Services for Adults with Mental Health Needs	2,196,600	2,855,600	2,855,800
Care Provision	1,750,500	1,577,000	1,514,500
	<u>45,375,900</u>	<u>45,305,500</u>	<u>45,687,500</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	45,375,900
Inflation	151,500
Changes in Government Grants	(1,135,600)
Other Government or Outside Body Changes	500,000
Demand Led Growth	1,440,600
Efficiency Savings	(579,200)
Budget Transfers	(65,700)
2020/21 ORIGINAL BUDGET	<u><u>45,687,500</u></u>

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Commissioning and Quality Standards

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Commissioning Teams	1,188,200	1,188,200	1,173,200
Advocacy, Supported Employment and Other minor services	416,500	452,500	452,500
Professional Standards and Safeguarding	967,900	969,200	969,200
Prevention and Wellbeing	2,338,700	2,207,200	2,207,200
Adult Public Health Services	2,749,400	2,754,400	2,854,400
	<u>7,660,700</u>	<u>7,571,500</u>	<u>7,656,500</u>

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	7,660,700
Inflation	2,800
Changes in Government Grants	(100,000)
Demand Led Growth	100,000
Efficiency Savings	(2,800)
Budget Transfers	(4,200)
2020/21 ORIGINAL BUDGET	<u><u>7,656,500</u></u>

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Public Health Core Team

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Core Public Health (Including Public Health grant)	1,601,800	1,615,400	1,781,600
Public Health Grant	(9,031,000)	(9,031,000)	(9,301,900)
	<u>(7,429,200)</u>	<u>(7,415,600)</u>	<u>(7,520,300)</u>

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	(7,429,200)
Inflation	1,000
Changes in Government Grants	(166,200)
Demand Led Growth	166,200
Efficiency Savings	(1,000)
Budget Transfers	(91,100)
2020/21 ORIGINAL BUDGET	<u><u>(7,520,300)</u></u>

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Adults Business Resources

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Business Resources	2,440,100	2,548,700	2,541,500
	<hr/> 2,440,100	<hr/> 2,548,700	<hr/> 2,541,500

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	2,440,100
Inflation	11,200
Efficiency Savings	(18,400)
Budget Transfers	108,600
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 2,541,500

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Housing Management

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Careline	137,500	122,000	18,000
Animal Welfare	13,200	13,200	13,200
	<hr/> 150,700	<hr/> 135,200	<hr/> 31,200

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	150,700
Inflation	3,000
Efficiency Savings	(107,000)
Budget Transfers	(15,500)
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 31,200

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Housing Services

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Housing Services Teams	1,962,100	1,955,600	2,035,600
Discretionary Social Fund (Housing)	140,000	140,000	140,000
Direct Homelessness costs	107,700	127,200	92,700
Homelessness Prevention Schemes	436,700	431,800	351,800
Refugees/Asylum Seekers	0	0	0
Home Improvement Agency	0	0	0
Ex HRA Properties	(4,900)	(4,900)	(4,900)
	<hr/> 2,641,600	<hr/> 2,649,700	<hr/> 2,615,200

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	2,641,600
Inflation	4,100
Changes in Government Grants	(80,000)
Demand Led Growth	80,000
Efficiency Savings	(34,100)
Other Growth & Savings	17,500
Budget Transfers	(13,900)
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 2,615,200

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Other Housing

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Management and Support	298,600	298,600	298,600
Delivery and Development	192,000	191,600	191,600
	<hr/> 490,600	<hr/> 490,200	<hr/> 490,200

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	490,600
Inflation	100
Efficiency Savings	(100)
Budget Transfers	(400)
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 490,200

SECTION D

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Highways Operations and Streetscene

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Private Sector Housing	247,900	246,400	255,300
	<hr/> 247,900	<hr/> 246,400	<hr/> 255,300

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	247,900
Inflation	500
Other Government or Outside Body Changes	8,900
Efficiency Savings	(500)
Budget Transfers	(1,500)
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 255,300

SECTION E

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Should you have any queries concerning the Environment, Sustainability, Culture & Sports Services pages please contact:

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SECTION E

Appendix 1

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2019/20</u> <u>Original</u> <u>£</u>	<u>2019/20</u> <u>Revised</u> <u>£</u>	<u>2020/21</u> <u>Original</u> <u>£</u>
Environment and Community Services Directorate			
ECS Management and Support	1,522,600	1,209,000	1,198,600
Contracts and Leisure	21,140,100	21,232,600	20,962,900
Highways Operations and Streetscene	699,300	608,800	616,500
Planning and Transportation	916,000	966,900	950,800
Total Environment, Sustainability, Culture & Sports Services	24,278,000	24,017,300	23,728,800

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> <u>£</u>
2019/20 ORIGINAL BUDGET	24,278,000
Inflation	385,700
Other Government or Outside Body Changes	(338,800)
Efficiency Savings	(93,400)
Income Generation	(137,500)
Other Growth & Savings	(417,000)
Budget Transfers	51,800
2020/21 ORIGINAL BUDGET	23,728,800

SECTION E

Appendix 1

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

SUBJECTIVE ANALYSIS

	<u>2019/20</u> <u>Original</u> <u>£</u>	<u>2019/20</u> <u>Revised</u> <u>£</u>	<u>2020/21</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	12,245,800	12,222,300	12,208,700
Premises	4,302,400	4,287,100	4,285,000
Transport	791,600	842,300	842,300
Supplies & Services	2,872,800	2,831,800	2,830,100
Third Party Payments	17,879,100	17,650,900	17,528,000
Support Services	320,400	320,400	309,700
TOTAL EXPENDITURE	38,412,100	38,154,800	38,003,800
<u>Income</u>			
Other Grants & Contributions	(104,100)	(104,100)	(104,100)
Customer & Client Receipts	(13,662,800)	(13,619,800)	(13,746,600)
Internal charges	(367,200)	(413,600)	(424,300)
TOTAL INCOME	(14,134,100)	(14,137,500)	(14,275,000)
NET EXPENDITURE (CONTROLLABLE)	<u>24,278,000</u>	<u>24,017,300</u>	<u>23,728,800</u>

SECTION E

Appendix 1

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES**Contracts and Leisure**

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Parks Management	4,176,000	4,147,700	4,139,000
Sports Services	(196,300)	1,900	(63,300)
Arts and Culture	739,300	739,300	737,800
Libraries	3,554,600	3,579,000	3,558,300
Registrars and Cemeteries	(933,800)	(940,200)	(954,100)
Waste and Street Cleansing Contract Management	222,200	312,900	312,900
Street Cleansing	2,709,200	2,743,500	2,742,300
Waste Disposal including West Waste Levy	8,017,400	7,658,400	7,532,100
Waste Collection and Recycling	2,785,400	2,924,000	2,891,800
Public Conveniences	66,100	66,100	66,100
	<u>21,140,100</u>	<u>21,232,600</u>	<u>20,962,900</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	21,140,100
Inflation	380,000
Other Government or Outside Body Changes	(352,000)
Efficiency Savings	(77,000)
Income Generation	(126,600)
Other Growth & Savings	(417,000)
Budget Transfers	415,400
2020/21 ORIGINAL BUDGET	<u><u>20,962,900</u></u>

SECTION E

Appendix 1

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

ECS Management and Support

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
ECS Management Team	605,600	582,400	573,300
Finance and Performance	372,600	345,400	345,400
Business Support	342,900	79,700	78,400
Precepts and Levies	201,500	201,500	201,500
	<u>1,522,600</u>	<u>1,209,000</u>	<u>1,198,600</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	1,522,600
Inflation	800
Efficiency Savings	(800)
Budget Transfers	(324,000)
2020/21 ORIGINAL BUDGET	<u><u>1,198,600</u></u>

SECTION E

Appendix 1

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Highways Operations and Streetscene

	<u>2019/20</u> <u>Original</u> <u>£</u>	<u>2019/20</u> <u>Revised</u> <u>£</u>	<u>2020/21</u> <u>Original</u> <u>£</u>
Emergency Planning	60,100	81,300	81,300
Regulatory Services Partnership - Environmental Services	639,200	527,500	535,200
	<u>699,300</u>	<u>608,800</u>	<u>616,500</u>

	<u>2020/21</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	699,300
Inflation	800
Other Government or Outside Body Changes	13,200
Efficiency Savings	(800)
Income Generation	(5,500)
Budget Transfers	(90,500)
2020/21 ORIGINAL BUDGET	<u>616,500</u>

SECTION E

Appendix 1

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Planning and Transportation

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Building Control	(16,800)	50,000	49,700
Development Management	356,000	340,100	324,300
Strategic Developments	4,400	4,400	4,400
Thames Landscape Strategy	13,400	13,400	13,400
Transport Strategy	198,600	198,600	198,600
Policy and Design	522,300	522,300	522,300
Information and Business Support	95,800	95,800	95,800
Land Charges	(257,700)	(257,700)	(257,700)
	<u>916,000</u>	<u>966,900</u>	<u>950,800</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	916,000
Inflation	4,100
Efficiency Savings	(14,800)
Income Generation	(5,400)
Budget Transfers	50,900
2020/21 ORIGINAL BUDGET	<u>950,800</u>

FINANCE, POLICY AND RESOURCES

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SECTION F

FINANCE, POLICY AND RESOURCES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Resources Directorate			
Directorate	398,300	385,200	385,200
Financial Management	2,773,100	2,783,600	2,895,700
Corporate Services	6,047,000	6,361,700	6,055,800
Revenue Services	10,470,700	10,475,900	10,834,200
Financial Services	1,242,900	1,371,800	1,291,800
Chief Executives Directorate			
Customers and Partnerships	4,865,600	5,326,700	5,043,900
Policy and Performance	2,865,500	2,811,700	2,767,000
Housing and Regeneration Directorate			
Property Services	2,350,700	2,511,500	2,773,800
	31,013,800	32,028,100	32,047,400
Central Items	(4,927,700)	(6,449,400)	(684,100)
Total Finance, Policy and Resources	26,086,100	25,578,700	31,363,300

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	26,086,100
Inflation	2,886,100
Changes in Government Grants	998,900
Other Government or Outside Body Changes	36,000
Demand Led Growth	500,000
Efficiency Savings	(2,350,000)
Investment Priorities	2,247,000
Income Generation	(16,300)
Other Growth & Savings	1,180,400
Budget Transfers	(204,900)
2020/21 ORIGINAL BUDGET	31,363,300

SECTION F

FINANCE, POLICY AND RESOURCES

SUBJECTIVE ANALYSIS

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
<u>Expenditure</u>			
Employees	17,368,500	17,517,100	17,198,700
Premises	5,767,000	5,637,700	5,942,600
Transport	205,500	167,900	167,900
Supplies & Services	6,472,900	7,630,400	6,781,000
Third Party Payments	2,924,100	2,961,600	2,968,100
Transfer Payments	73,089,900	73,089,900	73,317,900
Support Services	1,089,700	1,099,500	1,099,500
TOTAL EXPENDITURE	106,917,600	108,104,100	107,475,700
<u>Income</u>			
Government Grants	(65,447,800)	(65,908,700)	(65,224,700)
Other Grants & Contributions	(87,600)	(102,600)	(102,600)
Customer & Client Receipts	(9,103,800)	(9,025,400)	(9,061,700)
Interest	(65,700)	(65,700)	(65,700)
Recharge Income	0	0	0
Internal charges	(1,198,900)	(973,600)	(973,600)
Schools Income	0	0	0
TOTAL INCOME	(75,903,800)	(76,076,000)	(75,428,300)
NET EXPENDITURE (excluding Central Items)	31,013,800	32,028,100	32,047,400
Central Items	(4,927,700)	(6,449,400)	(684,100)
NET EXPENDITURE (excluding Central Items)	26,086,100	25,578,700	31,363,300

SECTION F

FINANCE, POLICY AND RESOURCES

Directorate

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Directorate	398,300	385,200	385,200
	<hr/>	<hr/>	<hr/>
	398,300	385,200	385,200

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	398,300
Inflation	1,200
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(1,200)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	(13,100)
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 385,200

SECTION F

FINANCE, POLICY AND RESOURCES

Financial Management

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Financial Control and Accountancy	1,871,600	1,816,500	1,812,500
Corporate Management	477,900	537,900	524,900
Levies	441,300	446,900	576,000
Home Loans	(17,700)	(17,700)	(17,700)
	<u>2,773,100</u>	<u>2,783,600</u>	<u>2,895,700</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	2,773,100
Inflation	15,600
Changes in Government Grants	0
Other Government or Outside Body Changes	100,000
Demand Led Growth	0
Efficiency Savings	(32,600)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	60,000
Budget Transfers	(20,400)
2020/21 ORIGINAL BUDGET	<u><u>2,895,700</u></u>

SECTION F

FINANCE, POLICY AND RESOURCES

Corporate Services

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
IT and Telecoms	4,487,300	4,781,600	4,476,700
Human Resources and Payroll	889,300	913,100	912,200
Apprenticeship Levy	229,500	229,500	229,500
Electoral Services	440,900	437,500	437,400
	<hr/> 6,047,000	<hr/> 6,361,700	<hr/> 6,055,800

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	6,047,000
Inflation	56,500
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(79,700)
Investment Priorities	0
Income Generation	(400)
Other Growth & Savings	0
Budget Transfers	32,400
2020/21 ORIGINAL BUDGET	<hr/> 6,055,800 <hr/>

SECTION F

FINANCE, POLICY AND RESOURCES

Revenue Services

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Council Tax and Business Rates	(137,000)	(127,100)	(121,800)
Parking Administration	666,000	664,100	664,100
Accessible Transport and Concessionary Fares	8,642,100	8,642,100	8,870,100
Housing Benefit Administration	1,119,800	1,117,000	1,242,000
Housing Benefit Subsidy	179,800	179,800	179,800
	<u>10,470,700</u>	<u>10,475,900</u>	<u>10,834,200</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	10,470,700
Inflation	28,600
Changes in Government Grants	125,000
Other Government or Outside Body Changes	228,000
Demand Led Growth	0
Efficiency Savings	(21,600)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	3,500
2020/21 ORIGINAL BUDGET	<u><u>10,834,200</u></u>

SECTION F

FINANCE, POLICY AND RESOURCES

Financial Services

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Shared Audit and Fraud	467,900	463,100	413,100
Pensions Administration	51,500	51,500	51,500
Pension Fund Administration	600	600	600
Health and Safety Team	92,800	96,800	96,800
Procurement	630,100	759,800	729,800
	<hr/> 1,242,900	<hr/> 1,371,800	<hr/> 1,291,800

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	1,242,900
Inflation	2,100
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(82,100)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	128,900
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 1,291,800

SECTION F

FINANCE, POLICY AND RESOURCES

Customers and Partnerships

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Community and Partnerships	1,584,500	1,822,600	1,708,700
Customer Services	1,429,200	1,429,200	1,429,200
Economic Development	381,600	420,700	359,700
Resident Engagement	729,700	845,200	739,100
Communications	384,900	384,900	383,100
Community Safety	355,700	424,100	424,100
	<u>4,865,600</u>	<u>5,326,700</u>	<u>5,043,900</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	4,865,600
Inflation	23,300
Changes in Government Grants	149,000
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(28,800)
Investment Priorities	50,000
Income Generation	(1,800)
Other Growth & Savings	(14,900)
Budget Transfers	1,500
2020/21 ORIGINAL BUDGET	<u><u>5,043,900</u></u>

SECTION F

FINANCE, POLICY AND RESOURCES

Policy and Performance

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Corporate Initiatives	84,900	73,100	58,400
Legal Services	47,600	47,600	47,600
Member Services	1,548,200	1,544,400	1,544,400
Policy, Performance and Analysis	424,200	435,700	435,700
Chief Executive's support and trainees	760,600	710,900	680,900
	<hr/> 2,865,500	<hr/> 2,811,700	<hr/> 2,767,000

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	2,865,500
Inflation	3,800
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(48,500)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	(53,800)
2020/21 ORIGINAL BUDGET	<hr/> <hr/> 2,767,000

SECTION F

FINANCE, POLICY AND RESOURCES

Property Services

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Facilities Management	2,901,600	3,015,700	3,072,400
Utilities	1,231,300	1,378,500	1,424,000
Sustainability	10,700	10,700	10,700
Public Halls and Community Centres	(266,000)	(266,000)	(279,500)
Office Accommodation	624,800	503,100	695,100
AFC Properties	(1,484,600)	(1,485,900)	(1,482,100)
Sundry Properties	(833,400)	(810,900)	(833,100)
Valuation and Asset Management	166,300	166,300	166,300
	<u>2,350,700</u>	<u>2,511,500</u>	<u>2,773,800</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	2,350,700
Inflation	157,600
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(55,500)
Investment Priorities	0
Income Generation	(14,100)
Other Growth & Savings	285,300
Budget Transfers	49,800
2020/21 ORIGINAL BUDGET	<u><u>2,773,800</u></u>

SECTION F

FINANCE, POLICY AND RESOURCES

Central Items

	<u>2019/20</u> <u>Original</u> <u>£</u>	<u>2019/20</u> <u>Revised</u> <u>£</u>	<u>2020/21</u> <u>Original</u> <u>£</u>
<u>ASSET MANAGEMENT & TREASURY</u>			
Interest Payable	4,440,000	4,506,000	4,626,500
Interest Receivable	(1,420,000)	(1,486,000)	(1,272,800)
MRP (Principal Loan Repay)	4,797,000	4,797,000	5,107,000
Revenue Funding of Capital Expenditure	917,000	917,000	917,000
<u>CONTINGENCY & INVESTMENT ITEMS</u>			
General Contingency	500,000	500,000	500,000
Pay and Other Contingency	2,130,600	3,279,900	3,472,700
Contract Inflation Contingency	3,033,400	286,000	2,055,000
Investment Initiatives	100,000	0	1,710,000
<u>NON-RINGFENCED GOVERNMENT GRANTS</u>			
New Homes Bonus Grant	(1,512,200)	(1,512,200)	(787,300)
<u>OTHER</u>			
Centrally Funded Pensions	4,256,700	4,256,700	4,256,700
Distribution of surplus/deficit on Collection Fund	(1,500,000)	(1,500,000)	(1,250,000)
Retained NNDR and Section 31 Grants	(24,081,400)	(24,081,400)	(24,393,400)
Contributions to Earmarked Reserves	4,211,200	4,387,600	4,774,500
Transfers to/from Earmarked Reserves to reduce Council	(800,000)	(800,000)	(400,000)
NET EXPENDITURE	(4,927,700)	(6,449,400)	(684,100)

	<u>2020/21</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	(4,927,700)
Inflation	2,597,400
Changes in Government Grants	724,900
Other Government or Outside Body Changes	(292,000)
Demand Led Growth	500,000
Efficiency Savings	(2,000,000)
Investment Priorities	2,197,000
Income Generation	0
Other Growth & Savings	850,000
Budget Transfers	(333,700)
2020/21 ORIGINAL BUDGET	(684,100)

TRANSPORT AND AIR QUALITY SERVICES

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SECTION G

Appendix 1

TRANSPORT AND AIR QUALITY

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Environment and Community Services Directorate			
Highways Ops and Streetscene	1,151,900	1,253,000	1,228,200
Regulatory Services	63,900	168,900	168,900
Traffic and Engineering	(7,379,300)	(7,066,200)	(7,637,600)
Housing and Regeneration Directorate			
Housing Management	145,500	149,500	149,500
Total Finance, Policy and Resources	-6,018,000	-5,494,800	-6,091,000

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	(6,018,000)
Inflation	188,000
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(365,900)
Investment Priorities	0
Income Generation	(261,800)
Other Growth & Savings	(3,100)
Budget Transfers	369,800
2020/21 ORIGINAL BUDGET	-6,091,000

SECTION G

Appendix 1

TRANSPORT AND AIR QUALITY

SUBJECTIVE ANALYSIS

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
<u>Expenditure</u>			
Employees	3,312,900	3,968,200	3,457,200
Premises	2,584,100	2,630,300	2,505,900
Transport	1,016,800	980,500	980,500
Supplies & Services	1,629,000	1,633,000	1,633,000
Third Party Payments	5,059,000	5,321,600	5,221,600
Transfer Payments	0	0	0
Support Services	28,500	28,500	28,500
TOTAL EXPENDITURE	13,630,300	14,562,100	13,826,700
<u>Income</u>			
Government Grants	0	0	0
Other Grants & Contributions	0	0	0
Customer & Client Receipts	(17,623,600)	(18,032,200)	(17,893,000)
Interest	0	0	0
Recharge Income	0	0	0
Internal charges	(2,024,700)	(2,024,700)	(2,024,700)
Schools Income	0	0	0
	0	0	0
TOTAL INCOME	(19,648,300)	(20,056,900)	(19,917,700)
NET EXPENDITURE (CONTROLLABLE)	(6,018,000)	(5,494,800)	(6,091,000)

SECTION G

Appendix 1

TRANSPORT AND AIR QUALITY

Highways, Operations and Street Scene

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Inspection and Enforcement	565,500	548,300	537,000
Network Management	(536,500)	(544,100)	(560,300)
Highways	(302,600)	(302,600)	(302,600)
Transport and Workshops	1,369,500	1,369,500	1,369,500
Depots	56,000	56,000	58,700
Business Support	0	125,900	125,900
	<hr/> 1,151,900	<hr/> 1,253,000	<hr/> 1,228,200

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	1,151,900
Inflation	17,900
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(15,200)
Investment Priorities	0
Income Generation	(27,500)
Other Growth & Savings	0
Budget Transfers	101,100
2020/21 ORIGINAL BUDGET	<u>1,228,200</u>

SECTION G

Appendix 1

TRANSPORT AND AIR QUALITY

Housing Management

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
CCTV	145,500	149,500	149,500
	<hr/> 145,500	<hr/> 149,500	<hr/> 149,500

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> £
2019/20 ORIGINAL BUDGET	145,500
Inflation	200
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(200)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	4,000
2020/21 ORIGINAL BUDGET	149,500

SECTION G

Appendix 1

TRANSPORT AND AIR QUALITY

Regulatory Services

	<u>2019/20</u> <u>Original</u> <u>£</u>	<u>2019/20</u> <u>Revised</u> <u>£</u>	<u>2020/21</u> <u>Original</u> <u>£</u>
RSP - Air Quality	63,900	168,900	168,900
	<hr/> 63,900	<hr/> 168,900	<hr/> 168,900

<u>Variation Analysis</u>	<u>2020/21</u> <u>Budget</u> <u>£</u>
2019/20 ORIGINAL BUDGET	63,900
Inflation	0
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	0
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	105,000
2020/21 ORIGINAL BUDGET	<u>168,900</u>

SECTION G

Appendix 1

TRANSPORT AND AIR QUALITY

Traffic and Engineering

	<u>2019/20</u> <u>Original</u> £	<u>2019/20</u> <u>Revised</u> £	<u>2020/21</u> <u>Original</u> £
Engineering - Parking & Traffic	724,000	1,214,700	701,500
Engineering - Highways	3,762,300	3,902,000	3,647,600
Engineering - Road Safety	252,200	252,200	250,800
On & Off Street Parking	(12,117,800)	(12,435,100)	(12,237,500)
	<u>(7,379,300)</u>	<u>(7,066,200)</u>	<u>(7,637,600)</u>

	<u>2020/21</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2019/20 ORIGINAL BUDGET	(7,379,300)
Inflation	169,900
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(350,500)
Investment Priorities	0
Income Generation	(234,300)
Other Growth & Savings	(3,100)
Budget Transfers	159,700
2020/21 ORIGINAL BUDGET	<u>(7,637,600)</u>

LONDON BOROUGH OF RICHMOND UPON THAMES

REPORT TO: FINANCE, POLICY AND RESOURCES COMMITTEE

DATE: 20th FEBRUARY 2020

REPORT OF: DIRECTOR OF RESOURCES AND DEPUTY CE

TITLE OF DECISION: REVENUE BUDGET STRATEGY AND COUNCIL TAX 2020/21

WARDS: ALL

KEY DECISION?: YES

IF YES, IN FORWARD PLAN?: YES

For general release

1. MATTER FOR CONSIDERATION

- 1.1 This report gives details of the budget strategy and recommends to Council that the Band D level of Council Tax, excluding the GLA element, be set at £1,539.57 (an increase of 1.80% in Council Tax plus 2% for the Social Care Precept). Including the GLA precept, which has increased by 3.61%, the Band D Council Tax will be £1,871.64.

2. RECOMMENDATIONS

- | | |
|-----|---|
| 2.1 | That Members consider the advice of the Director of Resources and Deputy Chief Executive in respect of Section 25 of the Local Government Act 2003 in setting the budget (see paragraphs 3.29 to 3.39) |
| 2.2 | That the Council be recommended to agree the Revenue Budget for 2020/21 |
| 2.3 | That the Service Committee notes the intention to increase the Council Tax by 2.0% in relation to the Adult Social Care precept (see paragraph 3.23) |
| 2.4 | That the Council be RECOMMENDED to agree that the Band D level of Council Tax for 2020/21, including the Council's increase in Council Tax of 1.80%, the Social Care Precept of 2% and the GLA increase of 3.61%, be set at £1,871.64, <u>an overall increase of 3.77% on 2019/20</u>. The levels of Council Tax for all property bands are shown at Appendix A; and |
| 2.5 | That the Service Committee note that the Medium Term Financial Strategy was approved by this Committee in June 2019 and a further update will be provided in June/July 2020. |

3. DETAILS

Background

- 3.1 The development of the Council's financial strategy continues to be set against a background of medium-term uncertainty as the Council awaits the new Government's longer term spending review decisions.
- 3.2 In developing its strategy the Council has produced a number of reports reviewing the national budget, assessing the impact of the local government finance settlement, interim spending review announcements, reviewing reserves and balances and setting out the Administration's key aims and priorities for capital investment.
- 3.3 The Administration set out in its manifesto a Fairer Finance agenda to ensure that there is a fairer deal for all residents and support for the most vulnerable in our community. The Administration has also committed to responsible stewardship of council finances and all areas of council expenditure have been reviewed to seek further efficiencies and rebalance priorities. The council has been active in fighting for a fairer funding deal for Richmond residents, coordinating lobbying of ministers especially in relation to the shortfall in Special Educational Needs funding – which has yielded some limited short-term funding boost.

The Local Government Finance Settlement (LGFS)

- 3.4 In November 2019 the Government concluded consultation on a one year spending review proposal (SR19) in which it set out a number of proposals which would for the first time in a number of years see some element of real growth in local government funding. The proposals included:

- New grant funding for Adults and Childrens Social care expected to be worth around £2.4m for LBR in 2020/21 with future years subject to a distributional review
- Fair Funding review of local government funding postponed for a year.
- Ending of London Business Rates pilot pooling arrangements – meaning a loss of around £1.5m for the Council.
- A continuation of the assurance that no Authority would suffer “negative RSG” (removing for the short term, a £7.5m risk to the finances of LBR) for 2020/21.
- Continuation of additional Homelessness prevention funding for 2020/21.
- Overall schools funding to increase nationally by £2.6bn in 2020/21 rising to £7.1bn by 2022/23. This includes £700m nationally for High Needs of which Richmond estimates it will gain £2.2m (welcome – but £4.4m less than the estimated underfunding of SEND).

All of these proposals have now been included in the Local Government Finance Settlement which was only finally announced in late December 2019. The Funding Assessment by Central Government assumes that councils will raise Council Tax by the maximum amount allowable without a local referendum, i.e. for Richmond 1.99% for core Council tax and 2.00% for the adult social care precept.

- 3.5 Whilst the SR19 proposals were a welcome recognition of the challenges facing Local Government, it is important to note that the settlement is for one year only and offers no certainty beyond that. It is also important to see this settlement against the background of the changes in local Government finance which have seen the Council:
- Lose all of its general Revenue Support Grant (RSG).

SECTION H

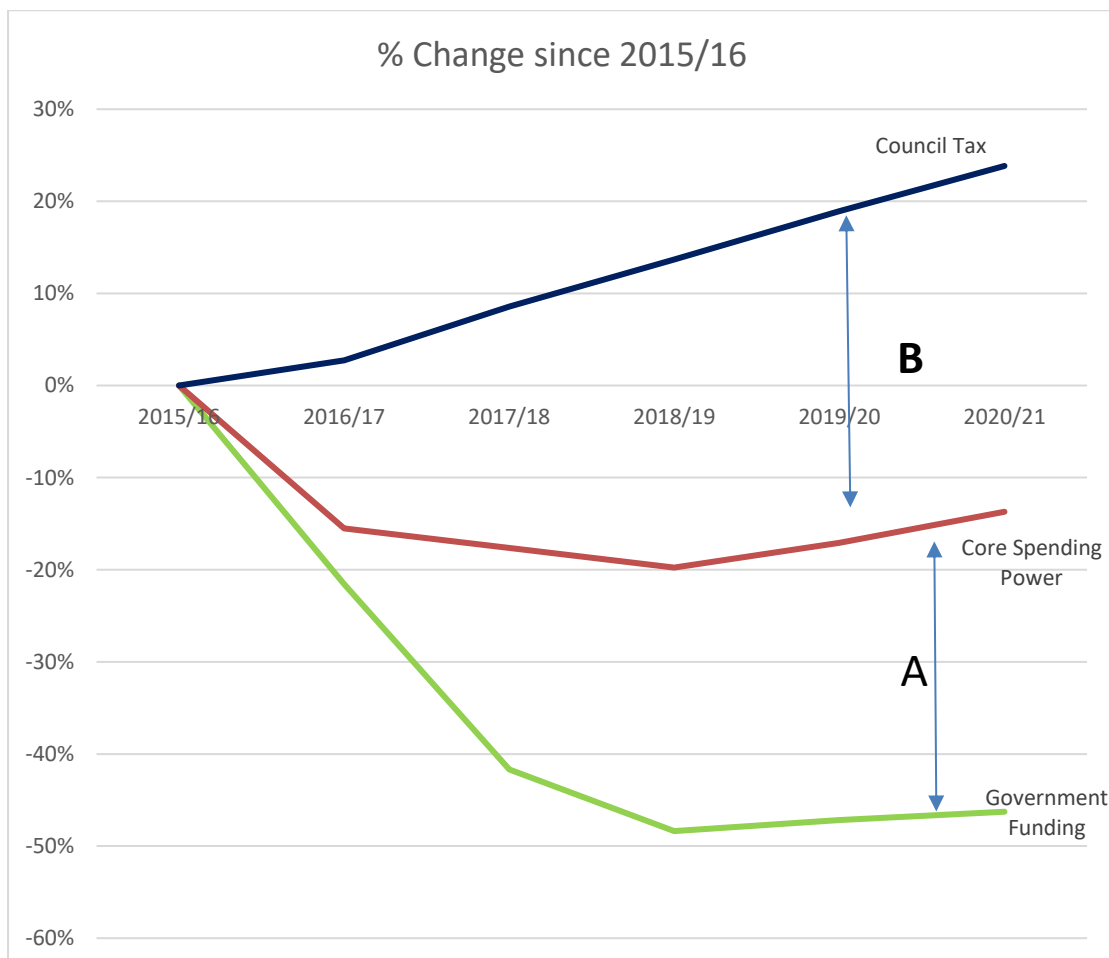
- Receive the lowest allocation from the various “Improved Better Care Fund” allocations.
- Suffer an overall loss of general Government support (retained business rates and RSG) of around £40m in cash terms since 2010 (in real terms this would be higher)

3.6 The continued removal of the proposed negative RSG removes a key risk to Richmond’s finances for 2020/21, however, it is unclear if this risk will rematerialise in later years. Richmond remains one of the lowest funded Councils and will continue to argue that the current core funding position should be the minimum baseline for any future funding settlement. In addition, the structural underfunding of special needs education needs to be addressed.

3.7 The latest January 2020 settlement is presented by Government as a 5.3% increase in Richmond’s Core Spending Power between 2015/16 and 2020/21. Core Spending Power is made up of Government funding for the Council plus locally raised Council Tax and Business Rates and relevant grants. This means that the majority of the increase in spending power is made up of the revenue generated by local council tax payers.

3.8 The chart (chart 2) below illustrates how changes in funding from Government translates to changes in Core Spending Power. The loss in Government funding (area A on the chart), is compensated for the Government’s assumption of increased Council Tax from Richmond residents (area B on the chart).

Chart 2: Spending Power, Government Funding and Council Tax



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- 3.9 The Council has, since the introduction of Spending Power as a measure of the impact of the LGFS, argued that it dilutes the true effect of reductions in central Government funding by using locally raised Council Tax to offset the reductions. Spending Power calculations by central government assume that council tax is raised by the maximum amount possible locally.
- 3.10 The Council has engaged with Government throughout this year on consultations on changes to the underlying formula and proposals for further retention of business rates. Most recently this has included responding to the Local Government Finance Settlement consultation, discussions with Treasury and MHCLG on general Local Government Finances and meeting with Department for Education officials to discuss schools funding.

The Medium Term Financial Strategy (MTFS)

- 3.11 The MTFS is intended to identify a financially sustainable way of achieving the Council's aims, recognising the need to balance service demands with available resources and the impact on Council Tax payers. The MTFS was updated in June 2019 to reflect the Administration's plans.
- 3.12 The latest budget monitoring data shows that the Council is forecasting £2.3m underspend on its revenue budget in 2019/20. This is made up of a number of over and underspends across the wide range of services provided by the Council. However, this needs to be seen in the context of a much larger Dedicated Schools Grant issue where there is a predicted in-year deficit of around £4 million (and an accumulated deficit of estimated at £15m by the end of 2019/20). The monitoring report is shown elsewhere on this agenda.
- 3.13 The Council continues its strong commitment and good track record of working in partnership. The Council works with the local Clinical Commissioning Group (CCG) and wider GP membership on joint commissioning across a number of services as well as with the voluntary sector and community groups to address the impact of the current economic situation. The Shared Staffing Arrangement with Wandsworth continues to identify joint procurement opportunities in addition to the efficiency and savings delivered from the shared staffing.

Balances and Reserves

- 3.14 Appendix B to this report contains a full listing of the revenue balances and reserves held by the Council and gives details on their intended application. The key issues are:
- The General Reserve currently shows as £9.96m. This is within the range (5-10% of Budget Requirement) agreed by the Council.
 - Approximately 27% (£11.1m) e.g. PFI Reserve and Insurance Funds, whilst being under Council control, are essentially not available for use for other purposes.
 - The Council agreed to place the "one off" freeze grants from central government into a reserve to be used from 2014/15 to hold down any future Council Tax increases. The total use of freeze grants to support the Council Tax in 2019/20 is £0.8m and this is proposed to reduce to £0.4m in 2020/21. The full £1.5m currently showing in this reserve is assumed to be fully utilised by 2021/22.
 - The use of the Invest to Save Reserve will be subject to decisions taken at year end 2019/20 in respect of funding of redundancies and set up costs associated with transformation programmes.
 - The Dedicated School Grant (DSG) has proved insufficient to meet the requirement to provide a "minimum funding guarantee" to schools and meet the rising costs of those with high needs. Whilst school funding has been removed from local authority general grant, any shortfall needs to be met by the local authority or recovered in

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some way from school's funds. At present the DSG has a projected overspend of £4.8m giving a projected cumulative deficit of around £15m by the end of this financial year. Ultimately if the DSG cannot be brought back into balance and no other source of funding is identified this could result in a call on the Council's general reserves. The Council has agreed a number of measures with AfC to seek to contain this position, however, these are unlikely to recover the existing deficit or significantly reduce the overspend in the short term. The Council has written to Government and met with Government officials requesting both additional funding and additional flexibility in existing funding streams to seek to recover this position. The one-off announcement of extra funding for 2020/21, whilst welcome, only provides an extra £2m for LBR (around one third of the 2020/21 in-year projected deficit) and the Council continues to discuss with Government proposals that would see the DfE deal with any DSG underfunding with no impact on the local tax payer or local education provision.

- It is anticipated that, overall, reserves will remain broadly stable at the end of 2019/20 (including schools) (see Appendix B) once the end of year revenue underspend is reflected in the balances. Balances are available for use only once. Their use to reduce Council Tax or meet existing cost pressures can allow the Council to smooth the impact of underlying funding and service changes but must be carefully considered as part of longer-term planning.
- The Resilience Reserve established this year to provide for flexibility in managing any short-term impact on services and investing in preventative measures to reduce longer term costs stands at £6.6m. The key immediate risk is the accumulated deficit on the DSG and the widening annual gap in special needs funding, with no central government action to address the problem on the horizon. The Council is therefore proposing to increase this reserve by some £4.4m in 2020/21 to match the growing net deficit in DSG High Needs funding. This reserve, however, also has to provide against a medium term funding outlook which is very unclear; with revisions to the Local Government funding mechanisms from 2020 and possible changes to the approach for the delivery of Adult Social Care to be announced in a long awaited Green Paper.

Overall Budget Proposals

- 3.15 In line with the Constitution individual service budgets have been submitted to the relevant Council Committees.
- 3.16 Despite the relatively positive LGF settlement proposals for 2020/21 (compared with reductions in recent years), the Council has had to continue to base its planning for Council Tax in the light of the serious, long term reductions in Local Government funding. It has attempted to do this in a way that strives to maintain service standards whilst addressing the need for significant budget reductions.
- 3.17 The Council entered a new efficiency programme from 2019/20. Managing the council's finances prudently in this way allows for targeted investment in specific priorities as set out in the new administration's manifesto including the Fairer Finances agenda.
- 3.18 In particular the 2020/21 budget has:
- Built in specific funds for addressing fairer funding priorities, new demands / costs of statutory services:
 - £1.8m to reflect increased demand and invest to save initiatives for Children's Social care services. This growth allows for a number of areas of investment and growth including demographic growth and increased costs within social care

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placements, additional staffing and management capacity for Early Help services and an enhanced quality assurance function.

- £1.7m to reflect increased demand and investment in transformation programmes in Adult Social care
- Allowed for the costs of introducing the London Living Wage across all direct Council Contracts (the Council already pays London Living Wage to all of its directly employed staff)
- An additional £4.4m will be transferred to the Financial Resilience Reserve. The most immediate risk remains the continued underfunding of the High Needs schools block. In the medium term there is uncertainty around council funding arrangements as we await the Fair Funding review, a longer term local government funding settlement and a review of the funding for adult social services.
- Set aside £1.5m to help deliver the council's Climate Emergency Strategy agreed by the Environment, Sustainability, Culture and Sports Committee in January 2020. Funds to be released as approval is given by the service committee to support the agreed action plan.
- Allowed £150k for doubling the frequency of emptying the public recycling bins
- Allowed an additional £50k for events and improving high streets
- Additional staffing to strengthen the homelessness prevention teams
- An additional £10k to the youth council for locally agreed priorities
- The continuation of the one off £0.15m added in 2018/19 for the following specific initiatives:
 - £50k to provide additional mental health support in schools
 - £50k to provide support to those young people leaving care to meet the cost of council tax
 - £50k to fund measures to boost in-house foster care provision
- Included efficiency/savings/income generation of £4.2m as follows:
 - Savings from reorganisations, shared services and service redesign etc. £0.9m
 - Reductions generated from procurement and contract savings £0.4m
 - Income and holding down inflation on supplies budgets £0.7m
 - Other efficiency initiatives £2.2m
- Provided continuing support for capital investment.
- Provided for a 2.0% LG pay award effective from 1 April 2020

In addition to the above, elsewhere on this agenda a paper outlines our commitment to capital investment including actions to address the climate change emergency and improve the supply of affordable housing.

3.19 The final service totals are:

	<u>£m</u>
Adult Social Services, Health and Housing	51.8
Education and Children's Services*	35.9
Environment, Sustainability, Culture and Sports	23.7
Finance, Policy and Resources	32.0
Transport and Air Quality	<u>(6.1)</u>
Total	<u>137.3</u>

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* includes £56.6m Achieving for Children Contract

3.20 Central Items and contingency

	<u>£m</u>
Capital Funding and Investment	9.4
Pensions deficit funding	4.3
General Contingency	0.5
Pay Award / Contract Contingency / Other	5.5
Investment Initiatives	1.7
Transfers to/from Reserves	4.4
Non Ring Fenced Grants	-0.8
Central Items – budget requirement	25.0
Retained Business Rates	-24.4
Contribution from Collection Fund (CTAX)	-1.3
Central Items - funding	-25.7
Total Central Items	-0.7

3.21 Summary of Borough Expenditure

	<u>£m</u>
Service Estimates	137.3
Central Items and Contingency	-0.7
Total	136.6

Levies

3.22 There are a number of levies and other charges, which the Council has to pay each year. These levies count as part of the borough's expenditure and they are, therefore, included in the relevant service budgets. The amounts and services are set out below:

Levy	2019/20 £000	2020/21 £000	Variation %
West Waste	7,436	7,659	3.00
Lee Valley Park	210	210*	TBC
Environment Agency	201	203	0.77
London Pension Fund Authority	304	304*	TBC
Coroner's Service	271	271*	TBC

*Yet to be received. All figures are based on the latest information at the time of writing the report and are subject to change once final levies have been agreed.

There are no levies this year from the Mortlake or South West Middlesex Crematorium Boards.

Capping/Council Tax Referendums and the Social Care "Precept"

3.23 The Localism Act abolished direct capping by the Government and replaced it with the ability of the Secretary of State to set a maximum level of council tax increase. Any

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Council wishing to set a higher level of increase will be required to hold a local referendum. The Secretary of State has announced the level that will trigger a referendum will continue to be 2% (or higher) for 2020/21.

- 3.24 The LGF settlement for 2020/21 also announced that local authorities responsible for adult social care “will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care”. This is being offered in recognition of demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets.
- 3.25 Taken together this would raise the maximum Council Tax increase before a referendum is required to 3.99% for this Council. Given current projections for inflation (CPI) in 2020 (in the latest HM Treasury summary of independent forecasts for the UK economy) is 1.8%, the Council intends to limit the non-social care element to this inflationary level.

The Greater London Authority (GLA) Precept

- 3.26 The Band D Council Tax in respect of the GLA Precept is expected to increase by £11.56 to £332.07.

3.27 Summary of requirements and Council Tax

	£m
Total LBRuT Budget Requirement	162.268
School expenditure funded from DSG *	165.508
	<hr/>
	327.776
Less	
NNDR retention	-24.393
DSG *	-165.508
Contribution from Collection Fund (CTAX)	-1.250
	<hr/>
Richmond Requirement for Council Tax	136.625
GLA Precept	29.468
	<hr/>
Total Requirement including GLA Precept	166.093

*Final figures, including all academy adjustments, are still awaited.

The Council Tax Base for 2020/21 was set as 88,742 Band D equivalents in the delegated authority report published on 17th December 2019.

Based on the above figures, allowing for roundings, the total tax at Band D including the GLA element would be increased to £1,871.64, an increase of 3.77%.

- 3.28 The table below shows the impact of the increases in Council Tax provisionally proposed by the Council and the GLA:

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	2019/20	2020/21	£	%
	£	£	change	change
LBRUT	1,483.21	1,539.57	56.36	3.80
GLA	320.51	332.07	11.56	3.61
TOTAL	1,803.72	1,871.64	67.92	3.77

3.29 **Section 25(2) of the Local Government Act 2003**

Section 25(2) of the Local Government Act 2003 requires the Chief Financial Officer of an authority to report on:

- (a) the robustness of the estimates made for the purposes of the calculations, and
- (b) the adequacy of the proposed financial reserves.

In doing so, the Director of Resources and Deputy Chief Executive has had particular regard to the guidance offered by the Chartered Institute of Public Finance and Accountancy and the views of the Council's external auditor.

3.30 The Council's stated aim is to achieve long term stability in its finances whilst restricting Council Tax increases. To achieve this, the Council must have regard to the major risks to its financial position and in particular:

- The relatively low (compared to other London Councils) level of reserves.
- The current economic position and future outlook.
- Whether budget setting and monitoring processes are robust and effective.
- Demand pressures on the budget, particularly in light of the high proportion of the budget spent on Social Care services and the current pressures on the high needs element of the schools budget
- Identifying and achieving cost and income improvements
- Changes to the system of funding for Local Government
- Risks to Government funding levels
- Risks to other income streams

3.31 The Council has a good track record in financial management and in the delivery of Value For Money (VFM). The judgements by external inspectorates take into account both the service performance of the Council and the way we prepare and monitor our budgets as well as the wider use of resources including staffing and physical resources.

3.32 Local government finance issues have been dominated in recent times by cuts in government funding and pressure to keep council tax increases down set against growing demand for services. Although SR19 is welcome move to halt the reductions in funding and provided limited extra investment in Social Care, the longer term position remains very uncertain. The impending Fair Funding and Business Rate Retention consultations mean that it is extremely difficult to plan with any certainty beyond this year. The Council has therefore taken a prudent stance to providing reserves and assuming the need for further efficiency measures.. Whilst the Council's position is stable, reserves are low for a London Borough and borrowing has increased in recent years. The longer term position remains extremely challenging and uncertain especially considering the position with the deficit in the high needs part of the schools budget.

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- 3.33 The Council has sufficient reserves to deal with the challenges it faces in the short term and continually reviews its savings and efficiency programme as part of medium and longer term planning. The introduction and further building of the Financial resilience reserve over the last two years plus the short term funding announcement made by Government have improved the Councils position.
- 3.34 Nevertheless, given the resource constraints and uncertainty over demand pressures faced by the Council it is imperative that efficiency remains at the heart of all Council activities. This will contribute towards the achievement of the Council's objectives.
- 3.35 Despite the constrained funding position, the Council remains committed to investing in the essential infrastructure which both underpins high quality services and helps maintain the economic vibrancy of the Borough. The affordability of this programme has been helped by the identification of one-off capital and revenue resources but the programme still relies heavily on the Council being prepared to increase its borrowing in future years. The Council also believes that, faced with the level of growth projected, it is essential that the Government steps up its contribution to this essential infrastructure and will continue to make its case robustly to Government. The impact of the required increase in borrowing is built into the Medium Term Financial Strategy and will be kept under regular review with the aim of reducing the borrowing need if possible.
- 3.36 The Council's reserves and their usage are linked to both the capital and revenue budget. A full list of the current reserves held by the Council is attached at Appendix B and will be reviewed again as part of the update of the MTFs later in 2020/21. The overall level has stabilised and remains adequate for the purposes identified.
- 3.37 With levels of reserves below the London average, reserves will continue to be monitored and reviewed regularly. Both the current and projected levels of General Reserve are expected to remain within the Council's agreed range of 5-10% of the Budget Requirement. However, there is a particular concern in relation to the deficit being built up on the Dedicated Schools Budget which is now placing a significant additional strain on the Council's reserves. Discussions are currently ongoing with both schools and Government on this issue but without resolution this could significantly undermine the Council's future plans.
- 3.38 It should be noted that the Pension Fund Reserve is, in common with many other Pension Funds, showing a large deficit. The Council has a long-term recovery plan for the fund but this faces continual challenges from reducing numbers contributing to the fund, increasing longevity of members and volatile investment returns. The next triennial fund valuation has just taken place and the Council's required contribution employer contribution rate is expected to remain unchanged in 2020/21.
- 3.39 In summary, the Chief Financial Officer (being the Director of Resources and Deputy Chief Executive) confirms that he is content that the estimates are robust for the purposes of the required budget/council tax calculations and that the Council's reserves are adequate in the short to medium term, although the position in relation to the DSG deficit will continue to present a particular risk until the Government provides complete clarity on the meeting of the deficit from DSG funds.

4. FINANCIAL AND EFFICIENCY IMPLICATIONS

- 4.1 These are set out in the body of the report.

5. PROCUREMENT IMPLICATIONS

- 5.1 Improvements in procurement processes and outcomes forms a key part of the Council's efficiency programme. Included in the budget proposals are a number of new procurements which are anticipated to contribute to the overall savings targets for the Council.

6. LEGAL IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. CONSULTATION AND ENGAGEMENT

- 7.1 The Council has undertaken a number of Residents Surveys in recent years which have included key questions on their priorities for spending and opinion of the Council's approach to financial management. The results have been used to inform the budget strategy.
- 7.2 The Council maintains contact with the local business community via the Chamber of Commerce and other business and community forums. Officers have been invited to attend business breakfast meetings at which they provide an update on the Council's financial position and its future plans as well as keeping businesses informed about changes to the business rating system.
- 7.3 Service Committees have also considered relevant detailed service budget reports and have the opportunity to comment before this committee recommends final decisions to Council.

8. POLICY IMPLICATIONS/CONSIDERATIONS

- 8.1 There are none arising directly from the report although the level of budget resources available is a major influence on the delivery of Council policy in all areas. The Council's budget is part of the Policy Framework and, therefore, requires the approval of Council.

9. RISK CONSIDERATIONS

- 9.1 The risks faced by the Council in relation to financial planning and budget setting are set out in paragraphs 3.29 to 3.39 of this report as part of the Director of Resources and Deputy Chief Executives' comments on Section 25 (2) of the Local Government Act 2003.
- 9.2 Many of the risks are similar to previous years but it is particularly worth noting the risks in relation to Government Funding, Schools and Children's/Adult social care.

10. EQUALITY IMPACT CONSIDERATIONS

- 10.1 Appendix C considers the equality impact of major changes to the 2020/21 budget.

11. ENVIRONMENTAL CONSIDERATIONS

- 11.1 The Council will be making provision in its revenue and capital budgets to address the actions outlined in the Climate Emergency Strategy. These will be reviewed as the action plan is developed.

12. APPENDICES

Appendix A – Council Tax Bands 2020/21
Appendix B – Revenue Reserves
Appendix C – Equality Impact Assessment

13. BACKGROUND PAPERS

None

14. CONTACTS

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Email: cldr.r.brown@richmond.gov.uk

Mark Maidment, Director of Resources and Deputy Chief Executive
Email: mark.maidment@richmondandwandsworth.gov.uk

Richmond Council Tax Bands 2020/21

Band	Richmond Council Tax (2020/21) £	Greater London Authority (2020/21) £	Total Council Tax (2020/21) £
A	1,026.38	221.38	1,247.76
B	1,197.44	258.28	1,455.72
C	1,368.51	295.17	1,663.68
D	1,539.57	332.07	1,871.64
E	1,881.70	405.86	2,287.56
F	2,223.82	479.66	2,703.48
G	2,565.95	553.45	3,119.40
H	3,079.15	664.14	3,743.29

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APPENDIX B

DESCRIPTION	Actual Balance at 1.4.19 £000	Estimated Revenue Usage 19/20 £000	Estimated Capital Usage 19/20 £000	Estimated Additions 19/20 £000	Estimated Balance at 31.3.20 £000	PURPOSE OF RESERVE
STATUTORY RESERVES OVER WHICH THE COUNCIL HAS LIMITED OR NO CONTROL						
Schools	-9,012	*	*	*	-9,012	Ring fenced to schools
Schools' Maternity & Supply Cover Scheme	-458	*	*	*	-458	Internal insurance arrangement for supply and maternity cover in schools
Dedicated Schools Grant Reserve	10,954	4,800	*	*	15,754	Created from underspend of Dedicated Schools Grant. Currently showing a deficit balance. Earmarked for schools expenditure.
South London Partnership Reserve	-461	0	0	0	-461	5 borough collaboration to promote sustainable growth
Other	-58	0	0	0	-58	
Sub total	965	4,800	0	0	5,765	
NON STATUTORY BUT ESSENTIAL RESERVES						
PFI Reserve (Future Liabilities)	-9,341	0	0	0	-9,341	To allow for future smoothing of annual payments under PFI contracts
General Insurance Reserve	-1,803	0	0	0	-1,803	Internal insurance fund (non vehicle). Revaluation is completed as part of the insurance tendering process.
Vehicles Insurance Reserve	-192	0	0	0	-192	Internal insurance for Council vehicles
Sub total	-11,336	0	0	0	-11,336	

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APPENDIX B

DESCRIPTION	Actual Balance at 1.4.19 £000	Estimated Revenue Usage 19/20 £000	Estimated Capital Usage 19/20 £000	Estimated Additions 19/20 £000	Estimated Balance at 31.3.20 £000	PURPOSE OF RESERVE
DISCRETIONARY RESERVES CURRENTLY EARMARKED						
Financial Resilience Reserve	-6,590	0	0	-3,900	-10,490	In recognition of the volatility of the arrangements of future local government funding
Council Tax Freeze Grant	-1,486	800	0	0	-686	To be used to contribute to minimising Council Tax in future years
Repairs and Renewals Fund	-3,418	510	0	-373	-3,281	Purchase or creation of assets providing benefits of at least 3 years
Waste & Recycling Reserve	-1,616	81	0	0	-1,535	Used to fund Waste and Recycling Strategy
Invest to Save Fund	-4,999	200	0	0	-4,799	Funding for efficiency work across the Council, including an allowance for redundancy costs
Youth Development Fund	-248	0	0	0	-248	To fund capital schemes to improve youth facilities
Commitments Reserve	-571	300	0	0	-271	Unspent revenue budgets carried forward for specific Cabinet approved projects
Climate Change Reserve	-577	0	0	-53	-630	To support the Council's Sustainability Team in reducing the threat of climate change, to cut carbon emissions and promote energy efficiency
Youth Centres Reserve	-127	0	0	0	-127	Income generated by youth centres (e.g. lettings) which is earmarked for re-investment within youth services
Lincoln Fields	-338	0	0	0	-338	Net income for Lincoln Field site to be put towards pitch re-surface as per Football Foundation agreement

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APPENDIX B

DESCRIPTION		Actual Balance at 1.4.19 £000	Estimated Revenue Usage 19/20 £000	Estimated Capital Usage 19/20 £000	Estimated Additions 19/20 £000	Estimated Balance at 31.3.20 £000	PURPOSE OF RESERVE
	Economic Support Fund	-158	0	0	0	-158	Support for economic development initiatives
	VAT Reserve	-105	0	0	0	-105	To cover potential tax liabilities
	Other Reserves	-403	0	0	0	-403	Various small reserves (under £100k)
Sub total		-20,636	1,891	0	-4,326	-23,071	
GENERAL FUND							
	General Reserve (available for any purpose)	-9,956	0	0	0	-9,956	To be used to contribute to minimising Council Tax in future years
TOTAL RESERVES		-40,963	6,691	0	-4,326	-38,598	
TOTAL RESERVE MOVEMENT		-40,963	2,365			-38,598	

* Decisions on these reserves are normally taken as part of the final accounts process and so no changes are shown at this time

SSA EQUALITY IMPACT AND NEEDS ANALYSIS

Directorate	Resources
Service Area	Financial Management
Service/policy/function being assessed	Council Tax setting
Which borough (s) does the service/policy apply to	Richmond
Staff involved	Mark Maidment, Fenella Merry, Katherine Burston
Date approved by Directorate Equality Group (if applicable)	n/a
Date approved by Policy and Review Manager All EINAs must be signed off by the Policy and Review Manager	11th February 2020
Date submitted to Directors' Board	n/a

SUMMARY

Please summarise the key findings of the EINA.

The Council is obliged to set a balanced budget and commensurate Council Tax level in accordance with the Local Government Finance Act 1992.

For 2020/21, the key features of the proposed budget are a 3.80% increase in the Richmond element of the Council Tax which comprises:

- a 1.80% increase in the Richmond element of the Council Tax,
- a 2% precept (as allowed by Government) in support of Adult Social Care services
- a 3.61% increase in the GLA element of the Council Tax,

leading to an overall increase of 3.77%.

The analysis is split into 2 parts:

- The impact of increasing the Council Tax
- The impact of the generation of a 2% Adult Social Care precept

The Government's Spending Review announced that for the rest of the current Parliament, authorities responsible for adult social care would be "given an extra 2% flexibility on their current council tax referendum threshold to be used entirely for social care". The Council is also required, within seven days of setting its budget and council tax, to provide information demonstrating that the additional council tax yield generated has been applied to adult social care.

The council tax generated from this 2% increase will generate additional income of £2.6million to be attributed to adult social care. This “precept” also has to be shown on the face of council tax bills and in the “information supplied with the demand notice”.

Taking the precept will have a positive impact on users of adult social care in Richmond.

An EINA will be undertaken on any changes to services which result from the setting of this year’s Budget.

1. Background

Briefly describe the service/policy or function:

The recommendation in the report is as follows: -

That Members consider the advice of the Director of Resources and Deputy Chief Executive in respect of Section 25 of the Local Government Act 2003 in setting the budget.

That the Council be recommended to agree the Revenue Budget for 2020/21.

That the Cabinet notes the intention to increase the Council Tax by 2.0% in relation to the Adult Social Care precept.

That the Council be RECOMMENDED to agree that the Band D level of Council Tax for 2020/21, including the Council’s increase in Council Tax of 1.80%, the Social Care Precept of 2% and the GLA increase of 3.61%, be set at £1,871.64, an overall increase of 3.77% on 2019/20. The levels of Council Tax for all property bands are shown at Appendix A; and

That the Cabinet note that the Medium Term Financial Strategy was approved by the Finance, Policy and Resources Committee in June 2019 and a further update will be provided in June 2020.

2. Analysis of need and impact

PART 1 - Increasing the Council Tax

In terms of Council Tax liability, residents fall into one of the following 4 categories:

1. those liable to pay full Council Tax,
2. those eligible for some form of discount or exemption (other than Council Tax Support),
3. those eligible for Council Tax Support,
4. those with no Council Tax liability.

A 3.77% increase in the Band D Council Tax would result in a cash increase of £67.92 per year (£1.31 per week) for those required to pay the full charge. Over half, (57p per week), of the increase in the Richmond element of the Council Tax stems from the Government’s offer

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to allow Councils to increase Council Tax, provided that the additional amount is used in support of Adult Social Care i.e. some of its most vulnerable residents.

Group 1 - Those liable to pay full Council Tax

For the majority of Richmond residents, the Council believes that the proposed increase will not have a significant impact. Richmond is known as an affluent borough with high levels of employment (81.3% economically active residents (as at September 2019, 2,065 out of work benefit claimants (universal credit and Job Seekers allowance - data as at December 2019)). There will be an impact for those Council Tax payers whose income is just above the threshold for Council Tax Reduction who will suffer the full increase. The Council has no specific equalities monitoring data on this group of residents.

Group 2 - Those eligible for some form of discount or exemption (other than Council Tax Support)

As per Group 1 but for those in receipt of a discount or exemption the effect of the increase would be proportionately less. Single Person Discount is the main discount allowed amounting to just over 24,000 properties. The Council has no equalities monitoring information about this group. In addition, there are 271 properties where a banding reduction has been awarded in respect of a disability.

For example, a Band D taxpayer who is eligible for a single person discount would be subject to an increase of £50.94 (£0.98 per week) rather than £67.92 (£1.31 per week).

Group 3 – Those eligible for Council Tax Support

The proportion of Council Tax liability on which Council Tax Reduction is calculated is 100%. This is the same as for 2019/20. The number of dwellings that are long term vacant (more than 6 months) is 489 and of these 133 are attracting a council tax premium for being vacant for more than 2 years.

Group 4 – Those with no Council Tax liability

The effect on this group is neutral.

PART 2 – USE OF THE ADULT SOCIAL CARE PRECEPT

Protected group	Findings		
Age	Age band	GLA data (2019)	Adults Data
	18-64	84.6%	38.9%
	65-74	8.6%	13.3%
	75+	6.8%	47.8%
	Total	n/a	2,145
	Adult Services support significantly more older residents than the borough average.		
Disability	Census data: the percentage of people who are inactive due to long-term sickness or illness is 2% of the population aged 16-74.		
	Profile of Adult Social Care Service Users: The majority of service users have physical disabilities or physical frailty as their main area of difficulty. In 2018/19, 614 had a mental health		

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	condition as their main difficulty and 481 a learning disability (all ages).																		
Gender (sex)	GLA data 2019: 51.4% of residents are female. Profile of Adult Social Care Service Users: 56.7% are female Adult Services support significantly more female residents than the borough average.																		
Gender reassignment	Data not collected via the Census.																		
Marriage and civil partnership	Data not collected via the Census.																		
Pregnancy and maternity	Data not collected via the Census.																		
Race/ethnicity	GLA data 2018:15.9% of residents are from black and minority ethnic (BME) communities Profile of Adult Social Care Service Users: 10.8% of service users were from BME communities. The largest proportion of BME care service users come from the Asian or Asian British community.																		
Religion and belief, including non belief	Census data for all population of Richmond: <table border="1" data-bbox="454 1220 1177 1552"> <thead> <tr> <th>Religion</th> <th>Census Data</th> </tr> </thead> <tbody> <tr> <td>Christian</td> <td>55.3%</td> </tr> <tr> <td>Buddhist</td> <td>0.8%</td> </tr> <tr> <td>Hindu</td> <td>1.6%</td> </tr> <tr> <td>Jewish</td> <td>0.8%</td> </tr> <tr> <td>Muslim</td> <td>3.3%</td> </tr> <tr> <td>Sikh</td> <td>0.9%</td> </tr> <tr> <td>Other Religion</td> <td>0.5%</td> </tr> <tr> <td>No Religion</td> <td>28.5%</td> </tr> </tbody> </table>	Religion	Census Data	Christian	55.3%	Buddhist	0.8%	Hindu	1.6%	Jewish	0.8%	Muslim	3.3%	Sikh	0.9%	Other Religion	0.5%	No Religion	28.5%
Religion	Census Data																		
Christian	55.3%																		
Buddhist	0.8%																		
Hindu	1.6%																		
Jewish	0.8%																		
Muslim	3.3%																		
Sikh	0.9%																		
Other Religion	0.5%																		
No Religion	28.5%																		
Sexual orientation	Data not collected via the Census.																		
Across groups i.e older LGBT service users or BME young men	Data not collected via the Census.																		

Data gaps

Data gap(s)	How will this be addressed?
	n/a

3. Impact

Protected group	Positive	Negative
Age	As 61.2% of Adult Social Care service users are aged 65 and over - taking the precept will have a positive impact in that it will ensure these vulnerable residents continue to receive support.	Although the increase in council tax will support vulnerable residents who are service users of adult social care it will mean that residents will see an increase in their council tax. The Council has a Council Tax Reduction Scheme which reduces the tax liability for certain classes of residents i.e. pensioners and those in receipt of certain disability benefits
Disability	As the majority of Adult Social Care service users have physical disabilities or physical frailty as their main area of difficulty taking the precept will have a positive impact in that it will ensure these vulnerable residents continue to receive support.	As above
Gender (sex)	As 56.7% of Adult Social Care service users are female taking the precept will have a positive impact in that it will ensure that vulnerable female residents continue to receive support.	As above
Gender reassignment	Taking the precept will support Gender reassignment service users of Adult Social Care and ensure they continue to receive support.	As above
Marriage and civil partnership	Taking the precept will support service users of Adult Social Care regardless of their relationship status and will	As above

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	ensure they continue to receive support.	
Pregnancy and maternity	Taking the precept will support service users of Adult Social Care regardless of whether they are pregnant or have recently given birth and will ensure they continue to receive support.	As above
Race/ethnicity	Taking the precept will support BME service users of Adult Social Care and ensure they continue to receive support.	As above
Religion and belief, including non belief	Taking the precept will support service users of Adult Social Care and ensure vulnerable residents, regardless of their faith or belief, continue to receive support.	As above
Sexual orientation	Taking the precept will support service users of Adult Social Care and ensure vulnerable residents, regardless of their sexual orientation, continue to receive support.	As above

4. Actions

Action	Lead Officer	Deadline
Individual ENIAs are undertaken alongside any decision to change or reduce a service as a result of budget changes	Individual officers reporting	As changes are implemented

5. Consultation. (optional section– as appropriate)

Statutory consultation on the Council's service expenditure and council tax setting has been undertaken with business ratepayers' representatives.
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Medium Term Financial Strategy

*'Fairer Finances and
Responsible Stewardship'*

June 2019



1 EXECUTIVE SUMMARY and PURPOSE

The Council sets a Medium Term Financial Strategy (MTFS) in order to ensure that it can plan for future commitments, establish a framework for setting council tax, ensure financial sustainability and recognise and address the risks inherent in achieving these aims. The Administration has translated its commitments into a Corporate Plan and this strategy seeks to ensure that the aims of the Corporate Plan can be achieved within the finance available to the council.

2 Fairer Finances and Responsible Stewardship

The key objective of the MTFS will remain to set the lowest possible Council Tax consistent with delivering Fairer Finances and the other objectives of the Corporate Plan. However, the Administration continues to recognise the context of a severe reduction in the central government support grant [and structural underfunding by the government of special needs education]. The Administration will continue to work on ensuring that the most vulnerable in our community are supported and cared for whilst achieving fairer outcomes for all residents.

In pursuing this aim, the Council will:

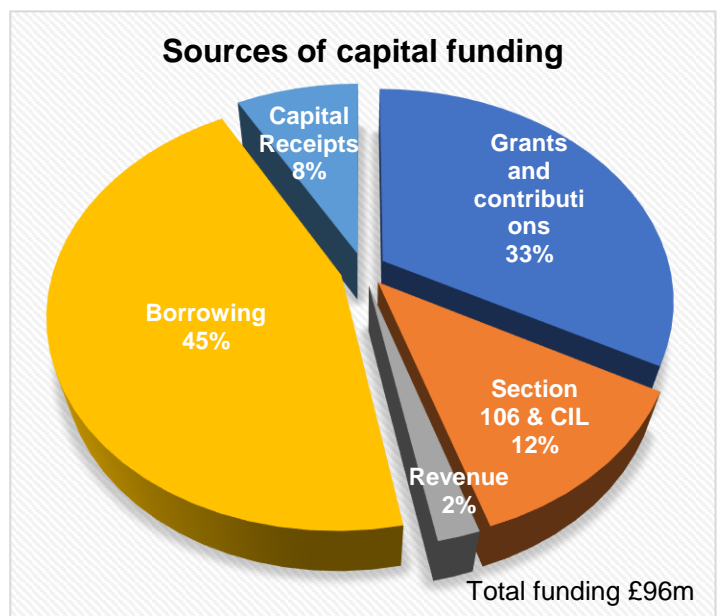
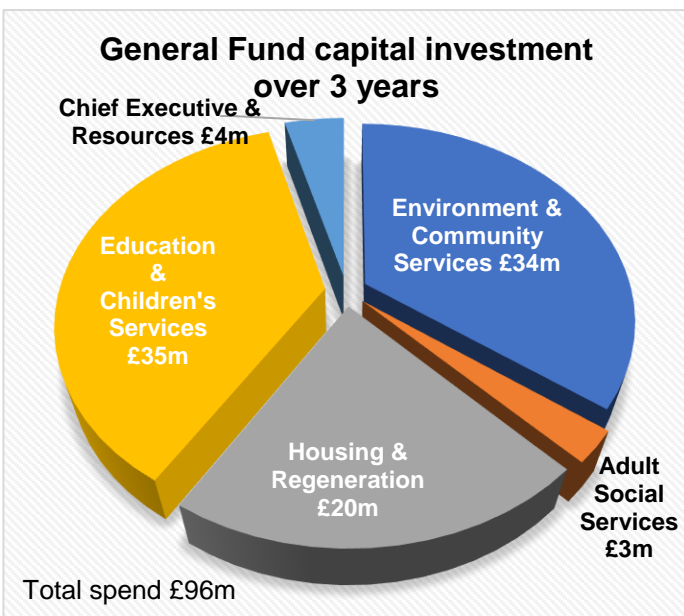
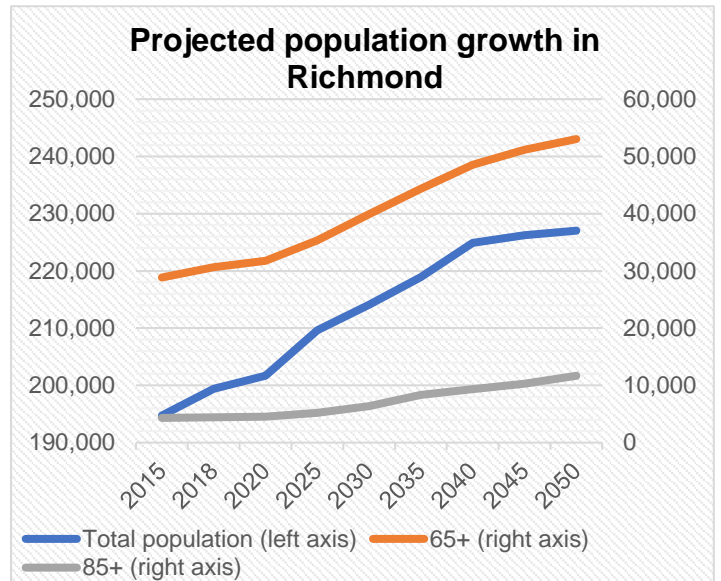
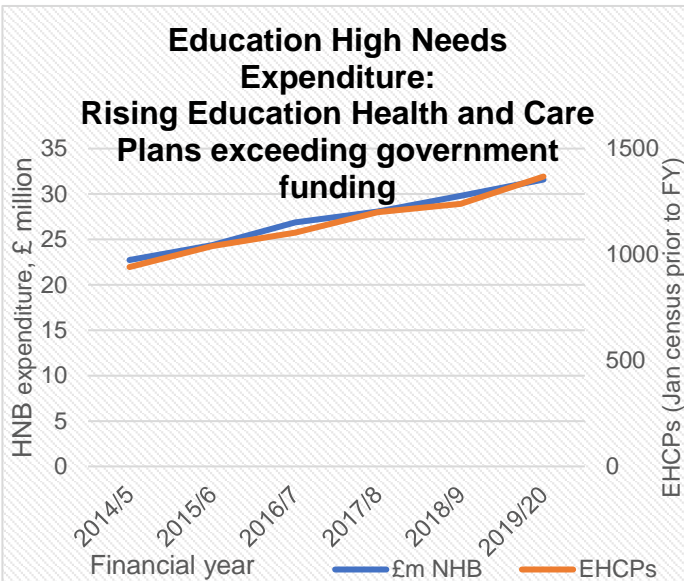
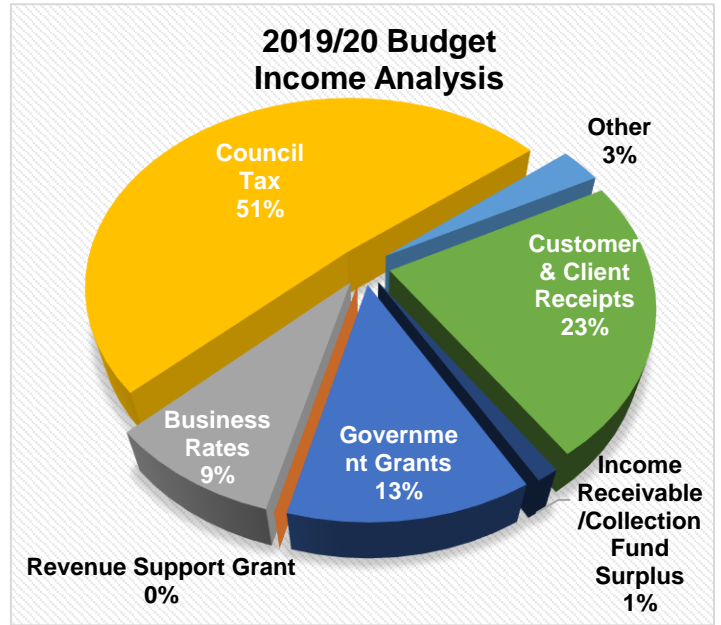
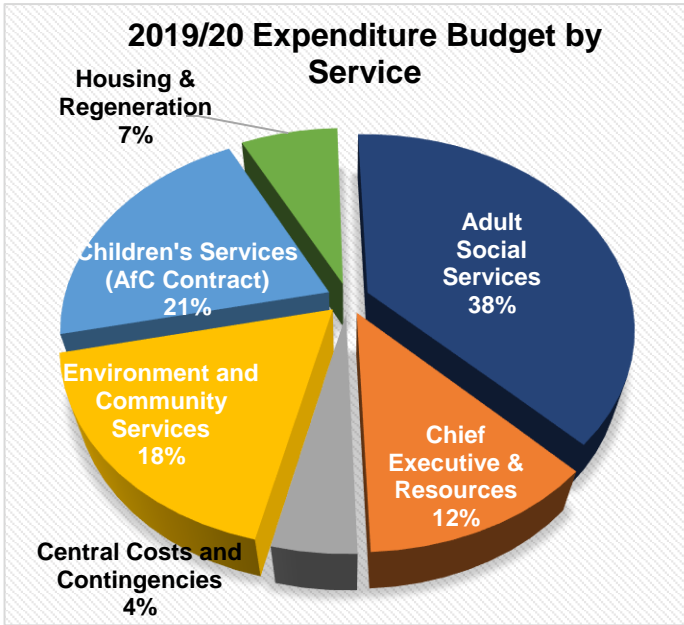
- be open and accountable,
- support the most vulnerable in the community,
- act as trustees for the natural and built environment of the borough,
- focus expenditure on services of direct benefit to local residents,
- give local people a more direct say in Council services.
- Be open to best practice and innovative ideas

The Strategy will include taking specific actions in respect of:

- Pursuing a fairer Government funding deal for residents,
- Maximising income and innovative ways to deliver services to minimise the scope of savings required,
- Reviewing every current budget to ensure it is being used in the most effective way and identify options for efficiency.
- Maximising access to sources of grant funding.
- Implementing plans to deliver the Fairer Finances and Corporate Plan objectives
- A refocussing of capital and infrastructure investment including prioritising 'Spend to Save' projects
- Engagement with Government on underfunding in Special Educational Needs

Further details on the actions already in progress are provided in section 9 later in this document. The next page shows a high level summary of Revenue and Capital expenditure and Income and demand pressures within the borough.

? Facts and Figures £



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3 The current MTFS

3.1 The MTFS agreed in September 2018 showed that even if Council Tax rose by 3.99% each year the Council would face the need to identify further savings (on top of those already agreed and in the future plans) each year as follows:

Year	2019/20	2020/21	2021/22	2022/23
MTFS Gap £	£1.9m to £5.1m	£5.1m To £8.0m	£5.1m To £9.5m	£4.7m To £10.8m

3.2 The core assumptions that drove these figures were:

Year	2019/20	2020/21	2021/22	2022/23
Pay Inflation (2.5% inc increments) <i>inc national living wage</i>	£1.7m	£1.8m	£1.9m	£1.9m
Contract/other inflation	£3.9m	£4.0m	£4.1m	£4.2m
Growth in Children's Social Care	£0.5m	£0.5m	£0.5m	£0.5m
Growth in Adult Social Care	£0.3m	£0.5m	£0.5m	£0.5m
Treasury (capital programme) costs	£0.3m	£0.4m	£0.5m	£0.5m
General RSG loss	£0-£7.5m	£0-£2m	£0.0m	£0.0m
Other Grant Changes	£0-£2m	£0-£2m	£0-£2m	£0-£2m
Assumed NNDR pooling loss/(gain)	£0- (£2)m	£0- (£2)m	£0- (£2)m	£0- (£2)m
SEND Risk	£0m-£4.0m	£0m-£5.0m	£0m-£5.0m	£0m-£5.0m
Tax base growth	-£0.6m	-£0.6m	-£0.6m	-£0.6m
Collection Fund Use	-£1.5m	-£1.2m	-£1.2m	-£1.0m
Use of Freeze Grant	-£0.8m	-£0.4m	-£0.2m	-

3.3 These assumptions were challenged and changed as part of the budget review exercise carried out in 2018/19 leading into the setting of Council Tax for 2019/20. In broad terms the Council concluded that it needed to target a minimum of a further £10m of efficiencies on top of what was already within the MTFS.

4. Local Government Finance Settlement and Council Tax 2019/20

4.1 The final Local Government Settlement for 2019/20 was a single year settlement that critically for London Borough of Richmond (LBR) reversed the previous Government proposals to introduce an additional tax on local people through the proposed "negative RSG". This meant that the Borough did not suffer any further loss in Government Grant funding (the previous MTFS modelling a loss up to the originally proposed £7.5m). By maintaining RSG at zero – representing a loss of £0 – this was a more reasonable settlement than recent rounds of consistent reductions, but clearly meant it remained amongst the lowest funded Councils in the country. Subsequently the Government also

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announced a small amount of additional funding for SEND which, whilst welcome, was well short of the additional resources that the Council has repeatedly explained to Government are required. The Council also benefitted to a smaller extent from the extension of the London Business rates pooling pilot.

- 4.2 These issues provided the Council with some limited headroom against its previous plans and enabled it to make some provision against the continuing underfunding of Special Educational Needs and Disability (SEND), introduce key “fairer finances” policies around changes to the Council Tax Reduction Scheme, removing charges for storing homeless persons possessions, removing charges for cycling lessons, support for those in extreme hardship and extending the exemption of Care Leavers from council tax up to the age of 25. The budget also secured extra funding for highways maintenance, community safety and community engagement. However - with some of the previous administration’s savings plans not having been delivered, lower growth in the Council Taxbase, specific grant losses of £1.0m, continuing inflationary pressures in contracts and continuing growth pressures in Childrens and Adults Social Care – this still meant that the Council needed to agree a savings/income generation package of £5.4m in 2019/20 in order to stay within the maximum permissible general Council tax increase of 2.99% plus continuing to levy the additional 2% Social Care Precept.
- 4.3 Taken together this meant that, since 2010;
- General Government Grant has reduced by over £40m (70%)
 - The Council has achieved savings/efficiencies/income generation of £62m.
 - Council tax (excluding Social Care precept) has risen by 6.57% compared with inflation increase over the same period of some 23.43%.

5. Future Forecasting

The future for local Government Finance continues to remain very unclear. Whilst the Government have consulted on three major potential changes to Local Government Finance, as yet there is no indication of what future year’s settlements will look like:

5.1 Negative RSG/Consultation on 2020/21 Financial Settlement

When the Government introduced the new funding methodology for local government in 2013/14 (which included 50% of business rates collected being retained by local government – in Richmond’s case then further split 30/20 with the GLA) it rolled into this funding both the general grant and a number of specific grants. The end result was that Richmond received a much lower level of general government grant with the balance up to its previous level of funding being made up from retained business rates.

Government funding reductions since 2013/14 have focussed on cutting the general Government Grant element whilst the retained business rates element remained relatively protected and included a small element of growth if local business rates grew. After successive years of cuts Richmond reached the point in 2018/19 where it received no general government grant. Rather than stopping at that point the Government originally decided to continue applying cuts to Richmond meaning that (in effect) it would be paying an extra tax to the Government – this is what is generally now referred to as “negative RSG”. This was somewhat controversial and, following much lobbying and a short consultation, the Government removed negative RSG.

This meant Richmond avoided the loss of £7.5m for 2019/20, however, no indication was provided as to whether this position was for one year only or would be permanent. The Government continues to be planning for a new Spending Review to be completed during 2019 which would set new overall funding levels for different parts of the public sector. As yet there is no indication of likely timings or outcomes.

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5.2 Fair Funding Review

Pre 2013/14, local government general funding all came via a grant underpinned by a formula based on relative needs i.e. indicators such as higher diversity, higher indicators of poverty, higher older populations would all yield a relatively higher share of the national funding available. The critical elements of that formula (how underlying needs were judged) have not changed for many years as successive Governments have avoided what was always an argument between the perceived “winners” and “losers” from any changes i.e. if the total amount of money available nationally stayed the same any changes that benefit one group of authorities would always come at the expense of another set of authorities losing grant share.

The Government is now consulting on resetting the underlying formulas with a view to doing so by the 2020/21 settlement. Whatever the judgements made on this underlying formula it is unclear what impact this may have on Richmond given its starting position of receiving no general government grant. Richmond officers have been involved directly in discussions with MHCLG and HM Treasury on both the Spending review and Fair Funding consultation. It remains important that this engagement continues as this formula often also becomes the underlying mechanism for distributing different specific grants and Richmond still receives some £33m in specific Government Grants (excluding schools). Despite consultation and discussions being ongoing for nearly two years, there has, as yet, been no indication of the likely outcomes but the following key risks have been identified from the focus of the consultation:

- The formula is expected to have a Foundation Formula element which is predominantly based on population – this should be beneficial to low need authorities like Richmond.
- Alongside the Foundation Formula are a number of service specific formulae and these traditionally include weightings (so-called Area Cost Adjustments [ACA]) to reflect higher cost of services in areas like London. The Government is proposing to water down the ACA by including “rurality” factors which are widely expected to see funding distributed away from urban areas.
- The Government has consulted on whether to take into account funding generated from income sources such as parking. This would be very likely to be detrimental to all London authorities but also other urban Boroughs and Districts.
- The Government has not included Homelessness or Concessionary Fares as separate elements of service formulae. Their inclusion would have been beneficial to London.
- No detailed modelling has been done on any of the many issues consulted on and hence it is very difficult to draw any overall conclusions

5.3 Business Rate Retention

The Government has also announced a proposed move to a system which sees local government retain 75% of Business Rates as part of the funding settlement (this was originally expected to be 100% retention) thereby reducing local government reliance on direct Government Funding (and also potentially reducing the influence that national government has on local funding decisions). It is not expected that this will see a sudden increase in funding coming to local government – the Government has stated that this, combined with the Fair Funding Review referred to above, will involve the “resetting” of baseline funding for each local authority. Such a move could see the financial effect of negative RSG (whether reversed or not in the short term) becoming hardwired into the LBR funding baseline along with any other negative adjustments to the formulas as part of the “resetting”. The Authority will therefore be fighting hard to ensure that Richmond does not lose any further funding and that the outcomes adequately reflect the costs associated with being in London and providing universal services.

5.4 Dedicated Schools Grant and SEND

Since the Children and Families Act 2014 - which changed the requirements associated with assessing pupils with special educational needs and disabilities, extended the age range covered by the legislation from 5-16 years to 0-25 years and replaced Statements of Special

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Educational Needs with the requirement to produce holistic Education Health and Care Plans (EHCPs) - Councils across the country have experienced a significant 49% overall increase in the number of EHCPs. This increase has not been matched by additional funding. Richmond currently has a High Needs funding deficit of over £4m annually and an accumulated deficit of £11m. The Council has lobbied Government extensively on this issue, engaging with schools, parents and local MPs to press home the Government's responsibility to address this issue. Recently, off the back of both this and lobbying by regional and national groups, there have been indications that the Government is listening but, as yet, no funding has been forthcoming. Given this position the Council has had little choice other than to set aside some of the Council's limited financial reserves to provide a partial buffer in the event that it is required to meet some of the accumulated deficit.

5.5 What areas can we predict and what are the other risks/opportunities (Annex 2/3)

Annex 2 and 3 cover the major risks and opportunities in greater depth but summary detail is identified below:

Inflation – is currently built into the MTFs at an average of 2-3% and varied where more specific information is available. The most significant inflationary elements apply to staffing and contracts. Overall the inflation contingency will add around £4.8m to each year's budget pressures.

Income/Efficiencies – the Council will continue to review its fees and charges each year so that those using services make a contribution to those services. The efficiency programme will also continue to be developed with all areas of council services being scrutinised carefully. Together these activities are targeted deliver close to £10m of efficiencies during the course of the current administration. This programme will be reviewed and refined each year during the budget setting process.

Demographic Changes (Adult / Children) – both nationally and locally Councils face increasing demands from an aging population and a young population with different support requirements. The Council has allowed a nominal growth of £500k per annum in both areas which is reviewed as we set the annual budget. This is in addition to the challenges faced in funding the expanding number of pupils having an EHCP – see para 5.4 above.

New Procurements – the Council provides services via contractors to a value of approximately £152m per year. A Contracts register is maintained to ensure allowance is made for full review of the Commissioning requirement before the Council undertakes the letting/reletting of a contract. The Council will always seek to drive more efficient delivery when it lets contracts but also has to bear in mind the prevailing market conditions. This can therefore represent both an opportunity and a threat. Specific commissioning efficiencies are built into the overall efficiency programme referred to above and over the past 10 years over £21m has been delivered in efficiency savings from procurement.

Council Tax Base and the Collection Fund – the current MTFs assumes that the Council Tax base will continue to grow at 300 Band D equivalent properties per year and that the Collection fund will have a surplus in excess of £1m. Reviewing the 2018/19 outturn the collection fund showed an underlying growth of just over £500k and it is likely, therefore, that assumptions on this surplus may need to be reduced for future years.

Capital Programme – the existing 5 year programme funding is built into the MTFs and this is subject to review both in relation to the delivery of the Council's priorities and the affordability of the ongoing programme. For 2019/20 the estimated annual revenue cost of borrowing is £9.4m.

Whilst we can make a reasonable range of estimates associated with the above areas there are a number of other areas (including general Government funding) where the Council has relatively little influence and can only look to national forecasts or information from Government (economy / specific grants / NHS funding) to draw a broad range of possibilities. Annex 2 looks at these in more detail.

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5.6 A continuing Fairer Finance Agenda

The Council believes that a fair Council should invest in good local services while protecting the most vulnerable in our community. The Council has set out in the Corporate Plan what it aims to do to promote a fairer deal for all those that live in the borough and how it will work with residents to ensure they have a fair say in decisions that affect them. To this end the 2019/20 budget has already introduced a number of measures including; removing minimum Council tax contributions for the poorest families and individuals in receipt of Council Tax Reduction Scheme funding, funded changes to the homeless removal and storage charge policy, set up a discretionary fund to work with Citizens Advice on extreme hardship cases and continued funding for extra mental health support in schools and funding of Council Tax for Care Leavers

Whilst it aims to continue to build on this agenda, Members are also acutely aware of the impact of Council Tax on all households and the desire to keep rises to the minimum possible whilst achieving the above aims. Within these parameters it is also therefore considering further measures including;

- (i) **Living Wage** – the Council’s budgets already fund the Living wage for all directly employed staff and allow for an additional £500k per year to meet the expected increase in the National Living wage. It is now taking a report to Committee on becoming a Living Wage employer (meaning that those providing services under contract would also be required to pay the Living wage). Over three years the estimated cost of this would rise to around £2.7m per annum.
- (ii) The Council wants to become a “**Greener Borough**” and as such will be bringing forward reports on proposals to reduce the Council’s carbon footprint and improve air quality. It is expected that the majority of such investment would come via capital funding but the Council will also be considering how it uses existing Climate Change Reserves.
- (iii) **A Safer Borough** -- Continuing to work with Police and community groups to help tackle crime including providing advice to local residents on crime prevention and enhancing the neighbourhood watch scheme. Work with TfL to improve safety on the council's roads and implement the extension of 20mph speed limits as announced following the recent consultation'
- (iv) **Voluntary Contribution Scheme** – whilst the Council recognises that Council Tax places a significant burden on many households there are those who may be able to afford and be willing to contribute a further additional voluntary amount. To this aim a new Charity is being established and the Council will be approaching all of those in Band G and Band H Council Tax bands to pay an additional voluntary contribution towards specific schemes (typically grants will be given to charities and organisations situated in the Borough or which directly help vulnerable residents of the Borough including: older people, people with learning disabilities, people with physical disabilities, children with mental health issues etc).
- (v) **Driving community investment through real engagement with local people** – leveraging the investment made in the 2019/20 budget for the Community Conversations programmes including the community conversations, reaching a wider range of people in the borough and devolving some existing budgets to local areas.

5.7 Balancing the risks and opportunities

In summary, the future local government finance position is very uncertain and whilst the 2019/20 LG Finance Settlement offered some short-term opportunity in the potential removal of “negative RSG”, there are equally many risks in the other proposals being

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considered. At this stage it is necessary to plan within a range of possible outcomes and hence the MTFs has been adjusted to reflect this uncertain picture (see section 8below).

6 Working with our key partners

- 6.1 At the same time as Local Government is facing funding reductions, we must recognise that our other key partners also face significant pressure – the local NHS Clinical Commissioning Group (CCG), the voluntary sector who partly rely on public sector funding and support, and our local schools are particularly important for the quality of life in the London Borough of Richmond upon Thames.
- 6.2 The Council has a statutory role through the Health and Wellbeing to bring together strategic partners to plan how best to meet the health and care needs and improve the health and wellbeing of the local population, making most effective use of resources in the local health and care system. Close work continues with NHS Richmond CCG to improve the integration of health and care services through the implementation of a Local Health and Care Plan 2019-21, with oversight through a Health and Care Leadership Board. NHS Richmond CCG is currently consulting on the creation of a six-borough South West London CCG and development of an Integrated Care System. The Council is engaged with the CCG as these changes are implemented, to mitigate any risks for the Borough. The Council continues to work with the Local Government Association to press for adequate funding for social care in order to provide stability and extra capacity in local care systems which will also assist in supporting NHS partners to help relieve pressure on health services.
- 6.3 The CCG, Council and Police partnership is significant within safeguarding. The creation of a Richmond and Wandsworth Safeguarding Adults Board maximises joint working over a wider geography and brings in greater learning opportunities across both boroughs. It also aligns better with the Police command unit. This financial year also sees the statutory implementation of a new safeguarding partners model in children's safeguarding. The local safeguarding board for Richmond and Kingston is being replaced with a tri-partite structure, over the same two boroughs, bringing the Police and CCG into equal ownership with the Council. Arrangements will be negotiated to bring proportionate and equitable funding to the new partnership.
- 6.4 The CCG, Police and Council partner again within the Community Safety Partnership, alongside other statutory organisations such as the Probation Service and voluntary and community led organisations. The focus is on identifying and best resourcing statutory and other services to tackle the root causes and reactionary responses to crime and safety.
- 6.5 The Richmond upon Thames Partnership is a regular gathering of the public sector leads within the borough to consider new ways of developing services and bringing innovation to meet local needs. The Partnership's annual conference allows for a wider delegation of local businesses, services and the voluntary and community sector to focus on a local need. The most recent conference in October 2018 looked at new thinking for services for children and outcomes include an impetus for the CCG to develop a mental health forum and for the creation of a Children and Families Strategic Partnership.
- 6.6 The Council continues to also work closely with the local voluntary sector recognising that, particularly following a long period during which public funding has been reduced, it is vital that we work to make the best use of all the resources available in the local area. The Council recognises the support provided to the local community from the many voluntary organisations including their volunteers which help to ensure the local community maintains its strength and cohesiveness. The Richmond upon Thames Compact is a written understanding between the voluntary and statutory sector (London Borough of Richmond upon Thames and the Clinical Commissioning Group) as to how they should work together and ensure a mutually beneficial relationship exists. The Richmond upon Thames Compact aims to build upon our existing commitment to partnership working by setting out our shared principles and how we will consult, involve and manage our resources together. The Council works with Richmond Council for Voluntary Services (RCVS) on embedding the principles of

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the Compact in how both partners work together. The Council also commissions RCVS to deliver capacity building services that help organisations become more resilient and sustainable, and able to respond to new financial challenges and changes in demand for their services. The Council works with many voluntary organisations and local people in a range of partnerships such as the Welfare Reform Board, and Homelessness Forum,

- 6.7 We are determined that despite the financial challenges we both face, we must maintain a strong relationship with our local schools who are so vital in providing the best start in life for our children and young people. Of particular concern is the increasing financial pressure experienced by both schools and the Council from the growing number of young people with Special Educational Needs and Disabilities (SEND). These young people are amongst the most vulnerable in our community and as part of this strategy we will continue to fight for the funding we need to ensure that they are all appropriately supported.

7 Capital Programme

- 7.1 As in previous years this MTFFS focusses on the revenue budget. A review of the capital element of the MTFFS and the Capital Programme for 2018/19 to 2023/24 is set out in a report to Cabinet on 14 February 2019. The Capital Programme totals around £127m over the 6 year period. Education projects (33% of the total programme over the next 5 years) continue to be the largest element of the programme.
- 7.2 The table below shows some of the key capital financing expectations for forthcoming years. Importantly external debt is likely to rise unless new sources of alternative funding can be identified. The potential increase in borrowing costs will be spread over a number of years as the Council will run down its internal cash holdings in the short term (see commentary in capital programme and treasury reports) which will help to limit its impact on Council Tax. In the long term the potential increase in borrowing nevertheless remains significant. Given the overall revenue projections it is clear that the Council will need to review its commitments for the future carefully to ensure they are affordable.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000s	£000s	£000s	£000s	£000s
Total Capital Expenditure	41,065	14,882	11,062	12,782	7,112
To be funded from revenue, reserves and capital receipts	7,189	0	0	0	0
To be funded from grants and contributions	17,821	6,286	6,004	7,724	3,054
To be funded from borrowing (internal and external)	16,055	8,596	5,058	5,058	4,058
Implied underlying need to borrow at 31 March	194,727	197,418	196,189	194,789	192,265

- 7.3 The underlying need to borrow at 1 April 2019 was £174.0m, estimated to rise to £194.7m by year end. The actual level of outstanding external borrowing at 1 April 2019 was £123.6m.

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7.4 The above table shows that the Council still has a significant Capital Programme, although it can be seen that specific new schemes reduce significantly after the current year. The Administration is committed to a more fundamental review of the forward capital programme in the coming months including: reviewing current and future CIL/S106 funding, ensuring adequate funding of environmental and transport priorities and reviewing future block allocations of funding which are yet to have identified committed schemes.

7.5 Looking at the current programme, although some is funded through Government Grant, the plans continue to include assumed increases in borrowing. The Council believes that it is essential that Central Government provide more direct capital funding (particularly for schools). In addition the Council is doing further work on ensuring that all Community Infrastructure Levy due to the Council is collected.

8 Forward Financial Strategy

8.1 The table below updates the current MTFS for the areas discussed above (underlying assumptions in Annex 2), to provide an indicative potential budget that the Council will need to fund. It identifies how much of a gap there is between costs and our current best estimate of funding. In particular the main table assume that General Government Funding (Revenue Support Grants and Retained business rates) remains at the base levels for 2019/20. The table underneath then looks at the potential range of scenarios, depending primarily on final funding outcomes, but also considering some of the larger know budgetary risk areas :

Year	2020/21	2021/22	2022/23	2023/24
Current Council Tax Requirement	£131.2m	£131.2m	£131.2m	£131.2m
Inflationary Pressures	+£4.3m	+£9.1m	+£14.0m	+£19.1m
Specific Government Grant reductions	+£3.1m	+£3.7m	+£3.9m	+£3.9m
Demographic Pressures	+£0.8m	+£1.8m	+£2.8m	+£3.8m
London Living Wage commitment	+£0.8m	+£1.9m	+£2.7m	+£2.7m
Previously agreed efficiency/income plans	-£5.7m	-£7.5m	-£7.9m	-£7.9m
Capital financing changes	-£0.1m	+£0.1m	+£0.2m	+£0.2m
Council Tax Freeze Grant	+£0.4m	+£0.8m	+£0.8m	+£0.8m
Overprovision of WLWA budget	-£0.4m	-£0.4m	-£0.4m	-£0.4m
Taxbase risk	+£0.5m	+£0.5m	+£0.5m	+£0.5m
SEND Base Funding risk less	+£5.1m	+£6.1m	+£6.1m	+£6.1m
Existing transfer to reserve	-£3.9m	-£3.9m	-£3.9m	-£3.9m
Revised Base Budget before Council Tax, Grant and further efficiencies/savings	£136.1m	£143.4m	£150.0m	£156.1m
Net increase to be funded	£4.9m	£12.3m	£18.9m	£24.8m

Every 1% increase in Council tax delivers approximately £1.3m additional income.

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Possible Scenarios for future years	Best Case	Worst Case
RSG/ Fairer Funding	-	+£10.0m
NNDR Pooling continuation	-£2.5m	-
Specific Government Grants	-£3.9m	-
Efficiency Plans delivery / Demographic / SEND pressures	-	+£5.0m
Inflation Provision	-£1.0m	-
SEND Funding Risk	-£6.1m	+£1.0m
Total	-£13.5m	+£16.0m

8.3 The above main table illustrates that in a base case scenario the Council should, with relatively low and judicious use of reserves, be able to remain broadly within the recent Council Tax capping levels (3.99% in 2018/19 and 4.99% in 2019/20 both of which included a 2% precept specifically for Social care and it is unclear if this will continue or if an alternative mechanism will be found to tackle the growing demands for adult social care) provided it achieves its currently targeted efficiencies. The smaller table illustrates some of the possible scenarios and indicates the wide range of possible outcomes given the significant unknowns around Government funding and its distribution. The range broadly attempts to set a “best” and “worst” case position – but it should be acknowledged that it is possible (though deemed unlikely) that either end of the spectrum could be more extreme.

8.3 The Council considers that it reasonable to continue planning on our base case scenario – given this already includes further efficiencies of £7.9m on top of the £62m achieved since 2010, this is already challenging. We are continuing do further work on benchmarking, reviewing all procurement options, continuing to share services and looking at minimum statutory service models that are now being considered by others to provide a base from which further options can be developed if required.

9 Key actions and reports in the next 6 months

9.1 The following summarises the key actions and reports that will impact on the Council's budgetary position in the next 6 months:

- Government Spending Review outcomes – between September and December 2019.
- Government decisions on Fair Funding Review, Business Rates Distribution and Pooling – between July and December 2019
- Consultation on 2020/21 LG Finance settlement - September/October 2019
- Q1 monitoring report – September 2019
- Q2 monitoring report for 2019/20 – November 2019
- Performance monitoring reports (Quarterly)
- LG Finance Settlement 2020/21 - December 2019
- Directorate Budget proposals - January 2020
- Q3 Monitoring report for 2019/20 - February 2020
- Revenue and Capital Budget reports - February 2020

The above will all be monitored via reports to the Committees as appropriate.

Sensitivity analysis of projections

A1.1 In any assessment of the future position of the Council, it is important to understand the main financial drivers which influence overall expenditure and the risks associated with them. The table below shows a high level breakdown of Council expenditure and income.

Description	2019/20 £'000	2019/20 %
Employee Costs	49,067	10.4%
Premises Costs	13,357	2.8%
Transport Costs	3,284	0.7%
Supplies and Services Costs	19,283	4.1%
Third Party Payments	141,685	30.0%
DSG Expenditure	155,728	32.9%
Transfer Payments	71,097	15.0%
Support Services	744	0.2%
Central Items	18,755	4.0%
	473,000	100.0%
Funded by:		
Income from Fees and Charges etc.	-65,483	13.8%
Housing Benefit Subsidy	-64,334	13.6%
Government Grants:		
Retained NNDR	-23,043	4.9%
Specific Government Grants	-2,550	0.5%
Non Ring Fenced Grants	-32,565	6.9%
DSG	-155,728	32.9%
Collection Fund Surplus	-1,500	0.3%
Transfers from Reserves	3,411	-0.7%
Council Tax	-131,208	27.7%
	-473,000	100.0%

* Third party payments are mainly contract based expenditure and includes care budgets, waste collection and disposal, and ICT expenditure.

- A1.2 The largest variable elements of the budget are staffing costs, third party payments and the income, predominantly from fees and charges for services. Relatively small changes in these have a significant impact on the overall financial position.
- A1.3 The budgeted impact of inflation is similar to previous years' projections (see Annex 2). To put inflation in context, a 1% increase in staff costs equates to £0.5m and a 1% increase in other costs equates to £2m (excluding housing benefit payments and DSG). The model assumes that the budgetary effect of general inflation is restricted wherever possible and held low over the next 4 years.
- A1.4 There has been consistent pressure on "demand led" budgets over the years reflecting the impact of demographic changes including a growing population, increasing numbers of school children, increasing numbers of older people, adults with learning disabilities and children requiring care. The MTFs assumes that these pressures will continue into the future although they will be ameliorated to some extent by efficiency measures being

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undertaken. Although the exact impact of this cannot be known, there is a significant underlying risk related to the level of social care that may be required as well as numbers of clients. The Council currently spends approximately £75m on the provision of children's and adult social care so a 1% increase in costs or client numbers would cost £0.8m. This expenditure is mostly included in the third party costs figure in the table. Additionally the Council may have to meet the growing cost of SEND funding that cannot be contained within the DSG, this is currently around £4m per annum (the equivalent of just over 3% Council Tax).

- A1.5 The Council generates income from a number of key sources (e.g. planning fees, building control fees and parking charges) which are subject to fluctuation over time across economic cycles. These and other income streams support large expenditure budgets which do not reduce in the same way as the income budgets thus putting pressure on the overall budget. Although income might be expected to stabilise in the future, there will remain the underlying risk of shortfalls. The Council currently budgets to collect around £65m in fees, charges and non-government grants or contributions. If the Council underachieved these budgets by 1%, it would lose £0.6m in income.
- A1.6 A further key variable is the level of Government support for services. This comes to the Council in a variety of ways e.g. Settlement Funding Assessment (Revenue Support Grant and Retained Business Rates), specific grants and non-ring fenced grants. As discussed earlier, these will be under severe pressure for the foreseeable future as the Government continues to take steps to reduce the public sector deficit. The total funding received from Government (including Retained Business Rates and Pooling) is currently £58m so each 1% reduction costs the Council £0.6m.
- A1.7 The overall impact of a 1% adverse change in these factors would be a cost to the Council of approximately £4.0m, which is equivalent to around £50 on a Band D Council Tax. This clearly illustrates the potential impact of the volatile risk factors underlying the budget.

Significant Known/ Committed Cost Pressures

Inflation

Details of items included in the inflation figure are set out below.

Inflation – Salaries and General Prices

This needs to allow for the projected pay award for 2019/20 along with salary progression and general price inflation. The MTFS assumes a 2.0% general inflation increase each year from 2019/20 to 2022/23, which is slightly below the Office for Budgetary Responsibility's projections for inflation. No allowance has been made for inflation on other items except where stated below.

Inflation – Energy

Energy costs continue to be very difficult to predict with events overseas and currency values having an impact as well as changes in demand. For the current model an increase of 5.0% per annum has been included.

Inflation - Pensions

The triennial valuation of the Council's pension fund was carried out in 2016/17. This was as proposals were being developed for the merger of the fund with the London Borough of Wandsworth's pension fund. The outcome provides for a small increase in the assumed future service funding rate but a reduction in the past service deficit contributions. The next full review will be due in 2019/20, and no increase is assumed at this stage.

Inflation – Contracts

The Council has a significant level of outsourced services which run under contract with the private and voluntary sectors. Most of these contracts have either specific inflation indices built into them (often RPI linked or industry specific) or require renegotiation on an annual basis such as social care spot purchases. An inflation allowance of approximately 3% has been made in the MTFS. The Council will, however, continue to seek to negotiate lower increases where possible.

Inflation and the economy also impact on the cost and value of capital contracts which is kept under regular review as contracts are let.

Capital Financing Costs/ Investment Income

The Council still has a significant capital programme and, although some is funded through Government Grant, the current plans see a potential increase in the underlying need to borrow (either internal or external) over the next 5 years. This, combined with continuing low rates of interest from a declining level of investments, is built into the forward strategy but is subject to review for affordability on an annual basis.

Adult Social Services growth and efficiency measures

The restructure and modernisation of these services has continued to yield both performance and efficiency gains. Nationally, the Government has recognised that rising demand on social care and health budgets represent one of the greatest pressures on public finances. This has led to a greater drive for integrating care and the partial introduction of the Care Act, the Better Care Fund and the ability to raise a higher level of Council Tax to help support adult social care. Councils remain concerned that insufficient funding has been provided by Central Government for social

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care and that the Government expects councils to raise additional funds through Council Tax.

Schools Funding/Special Educational Needs

Although school funding is provided direct from Government via a specific grant which has been protected from the higher levels of grant cuts seen in other parts of the public sector, the Council holds the funding risk where Dedicated Schools Grant (DSG) proves insufficient to meet statutory requirements. The Council's DSG currently has an accumulated deficit of just under £11m at the end of 2018/19 and this continues to grow. The growth in the DSG deficit is primarily due to the increasing number of ECHPs that have been issues following the introduction of the Children and Families Act 2014. The Council has written and met with the Government several times to draw out these issue and it will continue to engage with the Government on this issue and consider what other action can be taken to recover this position. However, there is a risk that this funding shortfall will need to be met by the local taxpayer.

Social Care for Children

Plans to control the growth in expenditure have been agreed however, there remains a risk that growth in demand for children looked after placements will outstrip these plans.

National Living Wage

The Government has announced the introduction of a National Living Wage rising to £9 per hour by 2020. The exact annual increase and the impact this will have on contract costs is difficult to predict with accuracy. An allowance has been made in the MTFS but this will be reviewed and adjusted in the light of experience.

London Living Wage/Living Wage Foundation Accreditation

The Council will consider a report in June looking at the practicalities and costs of becoming a Living Wage accredited employer. The latest estimated cost of doing so rises to £2.7m per annum over the next 3 years.

Homelessness Reduction Act 2017

The provisions of this act came into place in April 2018 and the Council received a time limited grant for 2018/19 and 2019/20 to provide staffing and introduce measures to meet the requirements of the Act. This grant is therefore assumed to end in 2019/20 and there is a risk that the Council will need to continue to provide for the new duties without a corresponding reduction in homelessness costs.

Risks and Opportunities

The Identification and Achievement of Savings Plans

The MTF5 is modelled on the basis that the Council will achieve all the savings targets it sets within the agreed timescales. The focus of the plan is across all the next 4 years beyond 2019/20. With a continuing savings programme and reducing staff numbers, the capacity to deliver such change represents a substantial challenge. This has been recognised in the risk work the Council has done and processes have been set up to ensure all the plans are closely monitored, that pump priming funding is available and that opportunities to work better/differently are fully explored.

Current Economic Climate and “Brexit”

The current economic climate remains challenging, leaving little scope for improvements in general Government funding. These risks may clearly be increased by the current uncertainty concerning the UK’s departure for the European Union. Whilst no significant specific “Brexit” related issues have impacted directly on Council services, this position continues to be monitored.

Inflation

The expected impact of changes in inflation is set out in Annex 2.

Government Funding

This risks associated with further loss of Government fund are covered in Section 5 of the main report.

Business Rate Collection

The new system of Local Government Finance passes a significant financial risk to local authorities in that the failure to collect the target level of Business Rates will result in direct financial loss. The system also retains nationally set elements for reliefs and discounts over which councils have no control. Whilst Richmond has a good record of collection, economic pressures on businesses could put this at risk. Conversely, the new system allows a proportion of any additional income generated by the Council to be retained in future years.

The introduction of Business Rates pooling for London offers potential for London to retain a greater share in the growth in Business Rates. The current pilot is due to end in 2019/20 and there is no indication of how / if such arrangements may continue in future years. Business Rate retention and distribution issues are covered in greater detail in paragraph 5.3 in the main report.

Looked After Children Budgets

The numbers and costs of Looked After Children have continued to grow over the last few years. Although some allowance for this has been made in the MTF5, the risk remains that further resources will be required.

High Needs Funding and SEND

See Annex 2 and para 5.4.

Adult Social Care

A combination of demand pressure, reducing local government funding and squeezed local

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health sector funding means that adult social care is likely to continue to provide one of the key pressures on the Council's budget in future years. The Council was one of very few to receive none of the "enhanced Better Care Fund". Additional funding recently drawn from local taxation via the "Social care Precept" is due to end in 2019/20.

The Government continues to promise a Green Paper on changes to put Adult Social Care on a sustainable footing for the longer term but as yet final proposals have not been published.

Investment Income/Capital Investment

The Council has a significant investment portfolio and a growing demand for borrowing. Therefore, the revenue budget is more vulnerable to interest rate movements. The Council has taken an explicit decision to reduce the level of its investments as part of managing this risk in the short to medium term. Current projections are for interest rates to remain low for some time; however, this is ultimately influenced by both national and international issues.

Homelessness

Spend is demand led against statutory criteria and the Council's costs in this area are again under pressure. The new Homelessness Reduction Act extends the range of duties under the legislation to more people than currently, and complying with its likely requirements will place an additional strain on the budget unless the prevention leads to a significant reduction in demand/need.

Contracts

Recent events have demonstrated the risks posed by contractor failure in major contracts. The Council keeps all such contracts under regular review

Savings from shared services partnership working including joint commissioning

The Council has a number of projects in this area including the Shared Staffing Arrangement with Wandsworth, Achieving for Children, legal services, shared audit services and various care services. The Council's strategy continues to review existing and wider sharing of management and infrastructure opportunities to generate efficiencies and their successful implementation is key to the Council's budget strategy.

Flexible Use of Capital Receipts Strategy (as updated)

Extension of the Strategy

The Secretary of State for Communities and Local Government's statement on the Provisional Local Government Finance Settlement announced that this flexibility would continue for a further 3 years. Guidance is updated annually, but this Strategy is written on the basis that there will be no change to the current rules.

Criteria to Assess Relevant Projects

Government Guidance on Flexible Use of Capital Receipts requires councils to prepare a Flexible use of Capital Receipts Strategy ("the Strategy"), to be approved by Full Council prior to the start of the year but to be updated during the year if required. Every approved Strategy must be reported to the DCLG. The guidance gives the following examples of projects which would be qualifying expenditure for this purpose. The list is not exhaustive, but to give a flavour of the type of projects that can be funded in this way:

- Sharing back-office and administrative services with one or more other council or public sector bodies,
- Investment in service reform feasibility work, e.g. setting up pilot schemes,
- Collaboration between local authorities and Central Government departments to free up land for economic use,
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation,
- Sharing Chief-Executives, management teams or staffing structures,
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible,
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations,
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training,
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others), and
- Integrating public facing services across 2 or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

Proposed Projects to be funded from Capital Receipts

The London Borough of Richmond intends to make use of this flexibility in relation to the Shared Staffing Arrangement (SSA) where Richmond and Wandsworth intend to move to a joint employed model and fully share all council staff. The SSA encompasses several of these example projects and is therefore considered to meet the qualifying criteria. In addition the borough is likely to fund costs associated with other invest to save projects as part of its Medium Term Financial Strategy (MTFS), these will be added to the programme as costs and savings are appropriately identified.

SSA Costs and Savings

The SSA was formally established on 1 October 2016. The final spend on the SSA project is unknown at this point, as it will include items such as redundancy costs which are dependent on individual staffing decisions and systems costs which will be dependent on detailed reviews which have yet to be carried

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out. The Council's MTFS includes a further £9m of achieved/planned efficiencies for 2018/19 to 2019/20. The MTFS identifies that further such efficiencies are required across these and future years. The exact level of savings will depend on the Council Tax levels agreed and the outcome of the Local Government Finance system review proposed by the Government. It is the Council's intention to make use of this flexibility to fund this spend where appropriate. This Strategy will be updated as relevant costs become known.

The Capital Programme assumptions exclude the use of receipts associated with this strategy. It was originally estimated that up to £10m may be available for use against this strategy but this has now been revised in line with lower spending and receipt expectations. It is unlikely that the Council will need to fully utilise this level of receipts but an initial profile has been assumed as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Actual	Actual	Estimate	Estimate	Estimate
Use of Capital Receipts	£2.2m	£0.8m	£0.0m	£5.5m	tba	tba

Any unused element of the above anticipated capital receipts would be applied in the normal way to reduce the financing costs of the capital programme.

The SSA formally started on 1 October 2016, when staff moved to joint employment by both authorities, and the Richmond pension fund was formally closed. Start-up costs incurred during 2016/17 included :

- Legal and taxation advice on the vehicle to be used for the SSA,
- System implementation costs for the share payroll and other systems, and
- Redundancy costs incurred by moving to a shared structure across both councils.

There remain a number of programmes associated with the ongoing development of the SSA including a small number of restructures yet to be completed, changes to IT infrastructure and changes to shared office accommodation which will continue to form a call on this budget..

Impact on Prudential Indicators

The Council is required to report the impact of this Strategy on its Prudential Indicators. The main purpose of the Prudential Indicators is to control planned borrowing. The "flexible" use of capital receipts has not been included in the main Capital Programme but will rather be accounted for separately and hence will have no impact on the Council's assumed borrowing reported elsewhere.

Capitalising the qualifying expenditure and financing this expenditure from the anticipated new receipts held back from financing the Programme has net nil impact on the Council's borrowing. Therefore, the only Prudential Indicator which will change is the Capital Expenditure Indicator, as the expenditure and income is added per the table above.

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LONDON BOROUGH OF RICHMOND UPON THAMES

COMMITTEE Finance, Policy and Resources Services Committee

DATE: 20 February 2020

REPORT OF: Director of Resources and Deputy Chief Executive

TITLE OF DECISION: Capital Programme and Funding Review

WARDS: All

KEY DECISION?: YES

IF YES, IN FORWARD PLAN?: YES

1. MATTER FOR CONSIDERATION

- 1.1. The Committee is asked to consider and approve the review of the current six year capital programme. The report looks at the programme approved in February 2019, details changes since outturn 2018/19, new schemes, and looks at how the capital programme is funded.

2. RECOMMENDATIONS

2.1. The Committee are recommended to:

- review the capital programme and the changes being proposed.
- RECOMMEND to Council to approve the revised capital programme and its funding in Appendix A
- RECOMMEND to Council the Prudential Indicators in Appendix B for approval in March
- RECOMMEND to Council the Capital Strategy in Appendix C for approval in March
- RECOMMEND to Council to delegate to the Director of Resources, in consultation with the Lead Member for Finance and Resources and the Chair of the Environment, Sustainability, Culture and Sports Services Committee to agree details for the potential £6.5m arrangement for waste vehicles
- RECOMMEND to Council to delegate to the Assistant Chief Executive, in consultation with the Director of Resources and the Chair of the Environment, Sustainability, Culture and Sports Services Committee to allocate the £2m climate change budget in line with specific schemes brought forth in the climate change action plan

3. BACKGROUND

- 3.1. Since 2010 the Council has spent £453m on the capital programme to support investment in the borough. The current six year programme was approved by Cabinet in February 2019. That programme included a potential need to borrow a further £57.1m which brought the Council's total underlying need for borrowing by the end of

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the programme to around £195m. The total expenditure for the six years approved by this report was £126.6m.

3.2. Since February 2019 the programme has been adjusted for:

- changes following the 2018/19 outturn position, including slippage
- new schemes since approved by Members/under delegated authority
- removal of non-committed schemes
- the addition of new schemes and increases to budget
- changes to financing

4. 2018/19 POSITION

4.1. During the latter part of 2018/19 new schemes totalling £1.932m (fully funded by grant or other contributions) were added to the February 2019 approved programme as follows:

Scheme	£000
Additional Schools Funded Projects	1,168
Traffic & Engineering Schemes	764
Total added during 2018/19	1,932

4.2. The final outturn position for 2018/19 was expenditure of £25.8m against a total programme for 2018/19 of £41.6m of which £15.8m of slippage has been applied into future years.

4.3. The approved borrowing requirement of £18.2m was refinanced at outturn to make use of additional grants, contributions and other new resources which became available during the year, which reduced planned borrowing by £2.914m. A further £7.3m was associated with schemes which slipped to later years leaving a final borrowing requirement in 2018/19 of £8.008m.

5. THE REVISED PROGRAMME

5.1. The main schemes in the revised six year capital programme relate to school expansion projects, Transport for London funded schemes and highways and pavement works. There is also provision for affordable housing schemes funded from Section 106 receipts from developers (assuming ongoing receipt of Section 106 contributions).

5.2. During the course of this year various new approved schemes have been added to the programme under the appropriate approval process. A breakdown of these new schemes is shown below:

Scheme	£000	Funded by	Subtotal
Barnes ASD	1,100	Grant	1,100
Richmond Community Fund (round 3)	449	BCIL	449
Loan to SWMCB	1,100	Borrowing	
Busen Re-Provision	867	Borrowing	
SSA Joint CCTV Control Room	310	Borrowing	
Street Lighting Replacement	8,140	Borrowing	10,417

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Transport for London Grant Funded Schemes	100	Grant	
Electric Vehicle Charge Points	150	Grant	
TfL Additional Grant for 2020/21	1,556	Grant	
South London Knowledge Exchange Programme	3,779	Grant	5,585
Affordable Housing Schemes	3,548	S106 AHF	3,548
Other Small Changes	107	Other	107
Total new Schemes added in 2019/20	21,206		21,206

- 5.3. The changes since the current programme was approved in February 2019 are summarised below:

	£000
6 Year Programme approved February 2019	126,589
Changes to budget between February and year end (para 5.2)	1,932
2018/19 budget expended during the year (para 5.1)	<u>-25,778</u>
Remaining 5 Year Programme at 1st April 2019	102,743
Changes to the budget during 2019/20 (para 5.2)	21,206
Current Programme 2019/20 to 2023/24 (before changes proposed in this report)	123,949

6. REVIEW OF NEED TO SPEND

- 6.1. The Council has a significant borrowing requirement in future years and a need to make ongoing revenue savings to keep Council Tax increases to a minimum. It is therefore necessary to continue to keep all expenditure under review, including capital projects. Any increase in capital spend is likely to require new borrowing. It is worth noting that the Public Works Loan Board recently announced an increase to its rates of 1% which would increase the cost to revenue of any new borrowing.
- 6.2. To ensure that capital budgets remain appropriate to the priorities of the Council and the levels of funding available, an exercise has been undertaken to remove uncommitted programmes where deemed appropriate. At the same time, assumptions on future grant and other external income have been reviewed and updated to give a prudent view of resources.
- 6.3. This allows a more realistic projection of the borrowing required to support the programme, and therefore the interest and repayment budgets needed which feed in to current and future forecasting and budgets. The removal at this time of schemes which are not currently certain to proceed does not mean they will not be added once there is more certainty around costs, timing etc. as there is continued commitment to the principles of many of the schemes removed. Rather, the aim is to deliver a realistic basis on which to plan and finance the Council's programme in order to inform the Council's budget plans and these will be updated as priority schemes become certain to progress.
- 6.4. The following table summarises the revised programme after these changes:

£000 £000

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Current Programme 2019/20 to 23/24 (prior to changes)		123,949
Removal of speculative spend:		
Changes in anticipated Educational Grants	-3,125	
Schools/SEN Expansion Programme	-7,514	
Area uplift	-2,373	
Other	-562	-13,574
		110,375

The above was financed by

Assumed Grant funding	-3,125	
Grant Funding	-1,628	
Borrowing	-4,605	
Assumed Future Capital Receipts	-4,216	
		-13,574

- 6.5. The removal of unallocated spend has released £13.6m of financing from the programme, of which £4.6m is assumed borrowing which would reduce the revenue spend of the Council by approximately £230k per annum. Future revenue budgets will be adjusted accordingly, where appropriate.
- 6.6. Officers are aware of a number of major pipeline schemes that are under development and will require funding in future programmes. These include:
- Twickenham Riverside re-development
 - Ham Close re-development
 - Affordable housing schemes
- 6.7. Funding for these will be added into the programme as schemes are agreed.
- 6.8. The Council currently holds a useable balance of Section 106 Affordable Housing Funds of £5.4m (opening balance 2019/20) with significantly more expected relating to development schemes that are both on site and under construction (£9.7m) and those that are secured in planning obligations where development has not yet commenced (£6.2m) giving a total available to spend of £21.3m. £5.7m of this funding has been allocated to specific capital bids, and after excluding the expected contribution to revenue, the remaining balance of £15.136m is reflected as the unallocated anticipated 'pipeline' of S106 Affordable Housing schemes. It is expected that, once the S106 funding is received, this funding will be committed to specific schemes as and when proposals and viable business cases are brought forward and agreed by Members. Any sums committed and utilised in advance of receipt of the S106 receipts would require additional borrowing to finance the scheme and therefore increase the interest cost to the Council's General Fund. Consequently this should be avoided where possible. Whilst, on the face of it, there is a significant unallocated sum within the programme, a significant proportion of this funding may need to be committed to the affordable housing elements of the Ham Close redevelopment, with other potential calls on this funding currently under consideration. As a result, minimal resources remain available at this time.

7. NEW SCHEMES AND INCREASES TO BUDGET (NEW BIDS)

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- 7.1. The table below details the new bids to be added to the capital programme. The three schemes for property, totalling £3.6m, are included in the budget. However, before spend can commence, a report on the maintenance programme and the benefits of this investment will be presented to the Finance, Policy and Resources Committee for approval. Similarly, the further investment in highways and pavements will be subject to further detailed being submitted to the relevant service committee.

Scheme	Funded by	Amount £000	Year
Highways and pavements To support the continued improvement in highways and footways across the borough to provide an ongoing annual budget of £1.7m by adding £0.5m to the existing annual budget of £1.2m from 2021/22, and an additional £1m for three years for invest to save highway repairs from 2020/21	Borrowing	5,000	2020/21 – 2024/25
Climate Emergency Action Plan To support delivery of the Council's Climate Emergency Action Plan	Borrowing*	2,000	2020/21 – 2021/22
Property: Maintenance and Improvement To deliver critical compliance related asset replacement and remedial works	Borrowing	2,100	2020/21 – 2022/23
Property: Emergency Plant and Equipment Renewal To renew core properties through rewiring, boiler replacement and building management system upgrades	Borrowing	1,000	2020/21 – 2021/22
Property: Roof and fabric repair and replacement To renew core properties through repair and replacement of roofs and other core fabric	Borrowing	500	2020/21 – 2021/22
Refuse and Recycling Vehicles Fleet To support delivery of the new waste contract approved by Environment, Sustainability, Culture and Sports Service Committee on 14 October 2019. Based on experience with the current contract, ownership and maintenance responsibility will fall to the contractor. This bid covers a potential loan to the contractor to purchase the fleet.	Borrowing*	6,500	2020/21
Public recycling points vehicle Additional lift vehicle to double the emptying of public recycling sites	Borrowing	200	2020/21
Friars Lane Car Park Improvements Resurface, maintain walls, lighting, new CCTV camera, improve sustainable transport and improve disabled access	Borrowing	250	2020/21
Flood Alleviation Works – Sustainable Urban Drainage Minimise risk of surface water flooding through e.g. tree pits, rain gardens, swales, bioretention and pocket parks	Borrowing	500	2020/21 – 2023/24
Central Depot Welfare improvements Improve shower and welfare rooms at the central Depot in Twickenham to create a better working environment for Council staff	Borrowing	57	2020/21
Empty property purchase To purchase assets which will subsequently be disposed of to provide a positive net general fund capital receipt where we legally have first refusal to purchase property from Richmond Housing Partnership	Capital receipts	100	2019/20
York House Audio Visual System To improve AV and webcasting in Clarendon Hall and the Hyde Room	Borrowing	36	2020/21
Landlord works	Borrowing	42	2020/21

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Scheme	Funded by	Amount £000	Year
To fund works at the Old Deer Park Kids Academy in line with landlord obligations			
TOTAL NEW SCHEMES FUNDED BY BORROWING		18,285	
RECURRING SPEND TO ADD TO 2024/25			
Devolved Formula Capital & Healthy Pupils Fund	Grant	225	2024/25
Basic needs – unallocated funding	Grant	1,256	2024/25
Schools General Planned Maintenance	Borrowing	866	2024/25
Disabled Facilities Grants	Grant	1,573	2024/25
Sponsored Moves	Borrowing	200	2024/25
General Planned Maintenance	Borrowing	1,330	2024/25
Parks Cyclical Maintenance	Borrowing	150	2024/25
Parks Strategy	Borrowing	300	2024/25
Highways and Pavements	Borrowing	1,200	2024/25
TOTAL RECURRING SPEND FOR 2024/25		7,100	
TOTAL OF ALL ADDED CAPITAL SCHEMES			
Funded by:			
Borrowing		22,231	
Capital receipt		100	
Grant		3,054	
Total		25,385	

**These schemes will be funded as appropriate at year-end using available funding such as CIL or the repairs and renewals fund.*

7.2. Below is a breakdown of the changes to the Council's Capital Programme as a result of the new schemes noted above:

	£000	£000
Current Programme 2019/20 to 23/24 (before changes proposed in this report)		123,949
Removal of unfinanced schemes	-13,474	
New schemes funded by borrowing	18,185	
Add recurring spend for 2024/25	7,100	
Total Proposed New Budget	<hr/>	11,811
Proposed Capital Programme 2019/20 to 2024/25 (Appendix B)		135,760

8. FINANCING

8.1. During the year officers review the funding of the capital programme to incorporate new funding as it is announced to reflect changes to the future estimates on income and the latest position. Current forecasts indicate £1.86m of alternative financing compromising of largely grant funding that can be used. The below table summarises the updated borrowing position:

	£000	£000
Financing Requirement as at February 2019		57,072

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Borrowing replaced by other financing at outturn (para 4.3)	-2,914
Less borrowing at 2018/19 Outturn	-8,008
Current Financing Requirement 2019/20 to 2024/25 (before changes proposed in this report)	46,150
New schemes without financing (para 5.2)	10,417
In year refinancing	-1,865
Removal of unfinanced schemes (para 6.4)	-4,605
New schemes funded by borrowing	18,185
Add recurring spend for 2024/25	4,046
Proposed Capital Programme 2019/20 to 2023/24 Financing Requirement	72,328

- 8.2. The Council's projected outstanding financing requirement in the programme is £72.3m. This means that 53% of the proposed six year programme could need to be funded by borrowing if other sources of funding cannot be identified. Whilst the Council does not hold a significant balance of available capital resources, these will be used to replace borrowing in the programme as they become identified. Council officers will continue to proactively pursue additional external funding to reduce the Council's need to borrow.
- 8.3. This revision to the programme does not assume further use of strategic Borough CIL except where the Council has agreed specific scheme funding (White Hart Footbridge). At this time there is £2.2m of strategic Borough CIL that has been received but not committed. In agreeing the new capital programme (and/or in financing the final outturn for the current year) the Council may decide to either:
- (i) Refinance existing schemes via the use of CIL and thereby reduce the cost of the existing capital programme to the taxpayer;
 - (ii) Introduce new schemes to be funded from CIL (including those linked to the environmental priorities of the Council);
 - (iii) Retain the unallocated CIL receipts for future years; or
 - (iv) A combination of the above.
- 8.4. In addition, a decision was made in 2015 to ringfence any future capital receipt from the sale of Orleans House Garden Cottage to Orleans House Gallery. Restoration and expansion of the Gallery has now been completed, with the funding required coming in the main through the Heritage Lottery Fund, the Council's own capital programme and donations from the public via the Orleans House Trust. York House is a very significant heritage asset in its own right and also houses some of the borough's art collection and other assets. It is now proposed to re-direct any sale proceeds from the cottage to future investment in York House to ensure the borough's heritage continues to be protected.
- 8.5. Final decisions on financing will be brought to this Committee for approval as part of future reports.

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9. PROPOSED CAPITAL PROGRAMME

9.1. Following all the proposals in this programme, the revised six year capital programme will have total expenditure of £135.8m. The most significant sources of financing are borrowing (£72.3m), grants (£37.3m), and CIL/S106 (£22.3m), however opportunities are taken to make use of ringfenced sources of funding to minimise borrowing, where possible.

9.2. A summary of the full capital programme is shown in the table below, along with how the programme is financed. Full details of the capital programme are available in Appendix A.

Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Department	£000	£000	£000	£000	£000	£000	£'000
Education & Children's Services	5,348	9,279	2,718	2,347	2,347	2,347	24,386
Adult Social Care & Public Health	1,618	515	0	0	0	0	2,133
Housing & Regeneration	3,464	5,478	4,898	4,542	18,864	3,103	40,349
Environment & Community Services	12,696	10,168	7,210	4,650	3,790	1,650	40,164
Resources	2,671	1,038	1,000	1,000	0	0	5,709
Chief Executive's	955	3,779	0	0	0	0	4,734
New Bids	0	10,685	4,100	2,350	650	500	18,285
Total Capital Programme	26,752	40,942	19,926	14,889	25,651	7,600	135,760

Financed By							
Grants	8,614	16,231	3,370	3,054	3,054	3,054	37,377
S106 & CIL	1,131	20	0	0	0	0	1,151
Affordable Housing S106	0	2,170	1,795	1,439	15,761	0	21,165
Contributions	463	103	0	0	0	0	566
Revenue funding (DRF)	1,017	0	0	0	0	0	1,017
Earmarked Reserves	6	0	0	0	0	0	6
Application of Capital Receipts	2,050	100	0	0	0	0	2,150
Borrowing Requirement	13,471	22,318	14,761	10,396	6,836	4,546	72,328
Total Financing	26,752	40,942	19,926	14,889	25,651	7,600	135,760

10. FINANCE AND EFFICIENCY IMPLICATIONS

10.1. The timing and funding of capital expenditure has a direct impact on the level of Council cash balances and the level of borrowing. Therefore, any changes to the Programme will have an impact on the Treasury Management position.

10.2. The current approved programme relies on an estimated £72m of borrowing which would require around £3.6m of annual revenue spend to support it. For future years' additions, Members will need to be mindful of the ongoing uncertainty around central Government funding and ongoing demand pressures on revenue budgets, particularly as there are already some further large capital schemes that are under development (as detailed in paragraph 6.6).

11. CAPITAL STRATEGY

11.1. The Council's Capital Strategy has been written using the guidance in the CIPFA Prudential Code and is attached as Appendix C for approval.

12. PROCUREMENT IMPLICATION

12.1. None in specific relation to this report

13. LEGAL IMPLICATIONS

13.1. None specifically in relation to this report

14. RISK ASSESSMENT

14.1. The key risks associated with this report are the cost of financing the potential demands on the Council's capital programme at a time when public sector funding is severely constrained, and that borrowing costs do not rise significantly above the current projections. These should be set against the risk that if expenditure is not committed, it is likely that the Council will fail to achieve a number of its key non-financial priorities.

15. CONSULTATION AND ENGAGEMENT

15.1. Consultation and engagement will be carried on individual schemes within the capital programme.

16. BACKGROUND INFORMATION:

Previous capital programme report(s)

17. APPENDICES

Appendix A – Revised six year capital programme 2019/20 to 2024/25

Appendix B – Prudential Indicators

Appendix C – Capital Strategy

18. CONTACTS

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6 Year Capital Programme 2019/20 to 2024/25

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Education & Children's Services							
Devolved Formula Capital & Healthy Pupils Fund	216	225	225	225	225	225	1,341
Basic Needs - unallocated funding	929	1,256	756	1,256	1,256	1,256	6,709
Nelson construction	0	0	5				5
East Sheen double demountable classrooms	0	300	500				800
Barnes Junior Bulge	0	57					57
Contingency	0	92					92
Hampton Infant 3FE	0	39					39
Hampton Junior 3FE	0	213					213
St John's Site for St Mary's Expansion	110						110
Collis 3FE to 4FE	1,100	1400	111				2,611
Hampton Academy	0	114					114
Twickenham Academy	50	119					169
Deer Park Academy Temp Accomodation	102						102
Deer Park Academy Play Equipment	1						1
Richmond upon Thames School	200	1,254					1,454
Sixth Forms							
Richmond Park Academy	200	100					300
SEN Provision							
Strathmore at the Russell	129	500					629
East Sheen SEMH (3 extra places)	0	6					6
Alternative provision	200						200
Additional Places / Future Schemes	0	714					714
Barnes ASD	100	900	200				1,200
Darell - ASP SEN	53						53
Schools General Planned Maintenance	950	1,923	921	866	866	866	6,392
Children's Centres	30	67					97
Children's Social Care including Homes	858						858
Youth Facilities	109						109
Short Break Care	11						11
Total Education & Children's Services	5,348	9,279	2,718	2,347	2,347	2,347	24,386

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6 Year Capital Programme 2019/20 to 2024/25

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Adult Social Services							
Management Information System	24						24
Extra Care Housing - Capital in Grant Conditions	0	333					333
Kingston Lane Adaptations	0	160					160
Autism Grant	0	10					10
Langdon Park	0	12					12
Integrated Care Records	42						42
LD Care Home Reprovision	1,260						1,260
Supported Living Homes fit out	152						152
Mosaic Database Merger	140						140
Total Adult Social Services	1,618	515	0	0	0	0	2,133
Housing & Regeneration							
Sponsored Moves	300	200	200	200	200	200	1,300
Housing Grants and Loans (Improvements)							
DFG (Except RHP)	800	1,548	1,273	1,273	1,273	1,273	7,440
DFG (RHP)	661	525	300	300	300	300	2,386
Coldbusters Home Repair Assistance Grant	379	0					379
	1,840	2,073	1,573	1,573	1,573	1,573	10,205
Affordable Housing Development							
Land at Craig Road	0	125					125
Extension Programme RHP	0	200	245				445
Affordable Home Ownership Scheme	0	550	550	439			1,539
Development Delivery Agreement (DDA)	0	1,000	1,000	1,000	625		3,625
Affordable Housing Schemes - Unallocated	0	0	0	0	15,136		15,136
	0	1,875	1,795	1,439	15,761	0	20,870
Other Housing & Regeneration							
General Planned Maintenance	1,014	1,330	1,330	1,330	1,330	1,330	7,664
SSA Joint CCTV Control Room	310						310
	1,324	1,330	1,330	1,330	1,330	1,330	7,974
Total Housing & Regeneration	3,464	5,478	4,898	4,542	18,864	3,103	40,349
Environment & Community Services							
Parks Cyclical Maintenance	290	150	150	150	150	150	1,040
Parks Strategy	375	300	300	300	300	300	1,875
Parks S106	12						12
Hampton Sport & Fitness Centre 3G/MUGA	26						26
Area Uplift (Incl. Twickenham Riverside)	100	2,000	2,560				4,660
Dukes River Project	93						93
Busen Re-Provision	670	1,167					1,837
Orleans House Gallery - Delivery phase	249						249
Libraries Improvements	702						702
Pools on the Park	458						458
Contracts & Leisure	2,975	3,617	3,010	450	450	450	10,952

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6 Year Capital Programme 2019/20 to 2024/25

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Highways and Pavements	1,971	1,700	1,200	1,200	1,200	1,200	8,471
Street Lighting	2,035	0					2,035
Street Lighting Replacement	3,000	3,000	3,000	3,000	2,140	0	14,140
Uplift Schemes/Twickenham Area Action Plan	406						406
S106 Schemes	34						34
S278 Schemes	20						20
Transport for London Grant Funded Schemes	1,656	1,556					3,212
Parking Machines PCI Compliance	134						134
White Hart Footbridge Rail Crossing	15						15
Electric Vehicle Charging Points	450						450
Traffic & Engineering	9,721	6,256	4,200	4,200	3,340	1,200	28,917
Empty Property Grant	0	295	0	0	0		295
Total Environment & Community Services	12,696	10,168	7,210	4,650	3,790	1,650	40,164
Resources							
ICT Investment	1,514	1,000	1,000	1,000			4,514
IT Infrastructure - PCI & PSN Compliance	57	38					95
Loan to SWMCB	1,100						1,100
Total Resources	2,671	1,038	1,000	1,000	0	0	5,709
Chief Executive							
Richmond Community Fund (round 3)	955						955
South London Knowledge Exchange Programme		3,779					3,779
Total Chief Executive	955	3,779	0	0	0	0	4,734
Total Before New Bids	26,752	30,257	15,826	12,539	25,001	7,100	117,475
New Bids							
Refuse and Recycling Fleet		6,500					6,500
Public Recycling Points Vehicle		200					200
Friar's Lane Car Park Improvement		250					250
Flood Alleviation Works		50	150	150	150		500
Central Depot Welfare Improvements		57					57
Empty Property Purchase		100					100
Climate Emergency Action Plan		1,000	1,000				2,000
Highways and Pavements - additional cyclical mtce		1,000	1,500	1,500	500	500	5,000
Property Maintenance and Improvement		1,450	1,450	700			3,600
Other Schemes		78					78
	0	10,685	4,100	2,350	650	500	18,285
Total Capital Programme	26,752	40,942	19,926	14,889	25,651	7,600	135,760
Financed By :							
Grants	8,614	16,231	3,370	3,054	3,054	3,054	37,377
S106 & CIL	1,131	20	0	0	0	0	1,151
Affordable Housing S106	0	2,170	1,795	1,439	15,761	0	21,165
Contributions	463	103	0	0	0	0	566
Revenue funding (DRF)	1,017	0	0	0	0	0	1,017
Earmarked Reserves	6	0	0	0	0	0	6
Application of Cap Receipts	2,050	100	0	0	0	0	2,150
Borrowing Requirement	13,471	22,318	14,761	10,396	6,836	4,546	72,328
Total Financing	26,752	40,942	19,926	14,889	25,651	7,600	135,760

Prudential Indicators

The Prudential Indicators (PIs) required by statutory guidance are classified as controls on the affordability, sustainability and prudence of the planned borrowing.

The Prudential Borrowing regime, where councils set their own limit on borrowing using Prudential Indicators as controls, is based on the rule that councils are only authorised to borrow long term to fund capital projects, although they can borrow short term for cash flow purposes.

However, government guidance on Treasury Management requires councils to treat liquidity almost as highly as security when investing surplus cash, and on this basis it should be unusual for a Council to have the need to borrow short term on a regular basis.

The key information in setting PI is therefore the amount of capital expenditure financed by borrowing and the existing need to borrow.

It should be noted that the calculation of PI is set by regulations, which defines Borrowing as being formal loans and Debt as being Borrowing plus leases and other similar debt instruments.

These prescribed definitions do not match those used by the Council for its own internal budget monitoring and therefore totals are split where possible to assist users in matching PI figures to those used in budget setting and monitoring throughout the year.

The Council now takes new loans on an annuity basis. These are very similar to a mortgage, with set annual payments split between interest and principal repayment. This means that the element of principal repayment is being taken as making prudent provision for repayment, and included in MRP. This is described fully in the Treasury Strategy and Policy report elsewhere on this agenda.

A. Capital Expenditure

Councils are only authorised to borrow long term to fund capital spend (although they can borrow very short term to cover cash flow). The financing of the Capital Programme is therefore key to determining future borrowing need.

Capital expenditure forms the basis of determining the need to borrow. The capital expenditure shown in this indicator reflects the proposed Capital Programme for 2019/20 to 2024/25.

	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>
Capital Expenditure	26,752	40,942	19,926	14,889	25,651	7,600
<i>Of Which:</i>						
Financed from Grants & Contributions	10,208	18,524	5,165	4,493	18,815	3,054
Financed by RuT	3,073	100	0	0	0	0
New Borrowing Required by Programme	13,471	22,318	14,761	10,396	6,836	4,546

The estimate of capital expenditure changes during the course of the year as schemes are added and completion dates change.

The Programme includes later stages of the school expansion programme up to 2020/21 and a significant amount of spend on Street Lighting column replacement to address health and safety issues. The remaining Programme then includes significant ongoing spend on Affordable Housing and Highways as well as the one off cost of replacing the Street Lighting. The proposed Capital Programme reduces after 2020/21 per the above, as the current schools programme ends. External funding also decreases with the government grants held to finance schools schemes being spent and anticipated future allocations being lower than in previous years. The Council also has less anticipated receipts from the sale of properties and reserves available to fund new schemes. The new Programme includes £20.3m of new schemes for approval in this report increasing the Council's need to borrow unless other funding sources can be found. The amount financed by RuT includes the use of capital receipts anticipated in the proposed disposal programme, which does not have any approved sales anticipated after 2019/20. An updated disposal programme could potentially improve the funding position.

B. The Capital Financing Requirement

The Capital Financing Requirement (CFR) determines the authority's underlying need to borrow for capital purposes. Schemes that have no specific funding source increase the authority's underlying need to borrow hence the CFR increases. The level of provision required to repay debt (MRP) also increases, which will decrease the CFR.

	<u>Revised</u> <u>2019/20</u> £000	<u>Estimate</u> <u>2020/21</u> £000	<u>Estimate</u> <u>2021/22</u> £000	<u>Estimate</u> <u>2022/23</u> £000	<u>Estimate</u> <u>2023/24</u> £000	<u>Estimate</u> <u>2024/25</u> £000
Capital Financing Requirement (CFR)	182,258	197,076	203,812	205,820	204,002	199,716
Year on Year Increase in CFR	+8,231	+14,818	+6,736	+2,008	-1,818	-4,286
Change represented by:						
Schemes financed by Borrowing (incl. leases)	13,471	22,318	14,761	10,396	6,836	4,546
MRP contributions to fund the Requirement						
- represented by MRP	-3,908	-5,499	-6,003	-6,343	-6,584	-6,762
- Financing Leases and Similar (incl. PFI)	-1,085	-1,085	-1,085	-1,085	-1,085	-1,085
Loan repayment used to reduce CFR - WLWA & Waste Fleet	-247	-916	-937	-960	-985	-985
	8,231	14,818	6,736	2,008	-1,818	-4,286

The CFR increases when there is an increase in spending which is not funded from existing resources. The Council would therefore need to borrow to fund this scheme. The CFR does not distinguish between real borrowing (either by taking out a loan or financing lease from an external body) and "internal borrowing" from cash flow.

The Council's £15m Capital Loan to WLWA is included in the CFR, and therefore requires money is set aside for debt repayment. WLWA are now repaying the loan, and the Council is using these principal repayments as the prudent provision, transferring them to reduce the CFR on receipt. As WLWA is effectively a group of London Boroughs there are no concerns about its ability to repay the loan in full.

The CFR decreases where there is either no new debt taken or contributions to repay debt are higher than the new debt. Repayments rise as borrowing rises, and the decrease in spend from 2021/22 onwards means the increase in borrowing in year falls below the amount to be repaid.

Indicators of Affordability

Affordability indicators are designed to ensure authorities have considered the costs of borrowing in a number of ways before they approve the capital spend that requires them to borrow. To do this, they consider :

The interest and principal repayment costs as a percentage of the Council's revenue budget.

The impact of the change in financing costs on Council Tax.

C. Ratio of Financing Costs to Net Revenue Stream

This indicator compares the net financing costs budget (interest due, interest receivable, set aside and actual repayment of principal) to the Council's Budget Requirement (before Formula Grant, GLA Precept and Collection Fund surplus).

	<u>Revised</u> <u>2019/20</u> £000	<u>Estimate</u> <u>2020/21</u> £000	<u>Estimate</u> <u>2021/22</u> £000	<u>Estimate</u> <u>2022/23</u> £000	<u>Estimate</u> <u>2023/24</u> £000	<u>Estimate</u> <u>2024/25</u> £000
Net Financing Costs	9,158	10,775	11,199	11,428	11,581	11,674
Net Revenue Stream	160,839	162,268	175,205	181,941	188,946	196,162
As a Ratio	5.69%	6.64%	6.39%	6.28%	6.13%	5.95%

Financing costs represent the net interest costs to the Council (interest payable on debt less interest due on balances) and a prudent provision for debt repayment (the Minimum Revenue Provision).

These costs include those paid as part of a financing lease arrangement, such as in PFI contracts.

These costs are taken as a percentage of the Council's Net Revenue Stream, which is the amount the Council has budgeted to spend for the year net of specific grants but excluding Council Tax, NNDR and Formula Grant income. This figure is a latest estimate and will not be final until the Council approve the budget and Council Tax in March. Future year figures are estimates per the Medium Term Financial Strategy.

The financing costs are linked to movements in interest rates, as well as principal borrowed. Most borrowing is at a fixed rate, meaning interest payments will not vary, whereas most investments are for under a year meaning there are often amounts maturing which can be reinvested during the year.

The interest payable costs are budgeted to increase every year as new borrowing is taken to fund the Capital Programme. Interest rates on new borrowing are projected to increase slowly going forward. These costs are offset in later years by increases in interest receivable due to projected increases in these interest rates.

The loan to West London Waste Authority is now being repaid. Annual interest receivable on this loan is over £1m, although this will reduce over the 25 year term as principal is repaid.

D. The impact of Capital Investment decisions on the Council Tax

This indicator shows the change in the level of Council Tax each year that will result from the authority's total capital plans. This can be viewed in 2 ways, both by the impact of the full effect of changes in financing costs as a percentage of Council Tax, or as the increase in a Band D Council Tax.

<u>Impact of Change in Financing Costs</u>	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>
Interest Payable						
- Direct borrowing	4,806	4,955	4,903	4,864	4,873	4,923
- Leases and PFI	1,591	1,501	1,403	1,296	1,180	1,053
Interest Receivable	-2,232	-2,265	-2,195	-2,160	-2,141	-2,149
Principal Repayment						
- Represented by MRP	3,908	5,499	6,003	6,343	6,584	6,762
- Financing Leases and Similar (incl. PFI)	1,085	1,085	1,085	1,085	1,085	1,085
Financing Costs	9,158	10,775	11,199	11,428	11,581	11,674
Year on Year Change	+712	+1,617	+424	+229	+153	+93
Impact on the Council Tax Requirement (RuT element)	0.54%	1.18%	0.28%	0.15%	0.09%	0.05%
Impact on a Band D Property	£8.05	£18.22	£4.76	£2.56	£1.71	£1.03

This indicator is designed to allow Members to make informed decisions on project approval based on affordability to the Council and priority against other cost pressures.

The cost to the Council Tax Payer is either a cost of borrowing to finance the scheme or an opportunity cost of lost income where balances (such as S106, Infrastructure Fund, Capital Receipts) are spent instead of being held as investments.

To comply with IFRS these costs include leased assets which are or will be at the end of the lease owned by the Council, such as the PFI Schools and Care Homes. The costs of financing these assets via the lease are also now shown in the principal repayment (the lease includes elements of loan charges and can also include service charges not included here, as with the PFI arrangements). PFI principal costs are fixed over the long life of the lease.

The increase in Principal Repayments on Debt is due to the anticipated increased need to borrow which increases the provision for debt repayment (MRP). This consists of actual repayments for new annuity loans and set aside for repayment on maturity for historic debt.

Interest payable would be expected to increase over time as the anticipated level of debt increases. However, the move to the use of annuity repayment loans (similar to a mortgage) for new borrowing limits this increase. This is because the total cash payment is the same every year, but in early years it is predominantly interest with low principal value, with the balance switching over the term of the loan as principal repayment leads to interest being charged on a lower balance.

There are 4 loans maturing over the next 2 years with interest rates around 5%. The anticipated interest rates for new borrowing are lower, giving a lower than anticipated increase in interest payable.

Interest Receivable is fairly stable. This is due to investment balances remaining fairly low. The main element of this income is the WLWA loan interest which is around £1m pa.

The year on year increase in Financing Costs is due to the financing of the capital programme. This will change if further resources are identified to reduce the borrowing requirement. The reduction in the size of the Programme and therefore reduced need to increase borrowing in later years could result in principal repayments being higher than new borrowing.

Indicators of Prudence

Prudence indicators are designed to ensure authorities consider the impact of their spending decisions on borrowing. To do this, they compare Gross Borrowing (being loan debt and other financing lease arrangements) to the Capital Financing Requirement.

E. Gross Debt and the Capital Financing Requirement

The Prudential Code states that 'In order to ensure that over the medium term borrowing will only be for a capital purpose, the local authority should ensure that borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.'

Gross Debt is defined as all external borrowing in the form of loans as well as financing leases.

The limit for debt is based on the current CFR plus the increase in the CFR over the next 3 years (the amount of the capital programme which is financed from borrowing in these years) to comply with the Code.

This limit allows authorities to borrow to meet their current need and to borrow in advance of need where this is prudent. For example, if an authority has £50m borrowing planned for capital spend over the next 3 years and interest rates are anticipated to rise next year, it could be prudent to borrow some of that £50m now.

	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>
Gross External Debt Limit Set	205,100	207,800	206,600	203,000	n/a	n/a
Projected Gross External Debt	149,564	165,267	170,358	174,783	n/a	n/a
Amount above/(below) limit	-55,536	-42,533	-36,242	-28,217	n/a	n/a

Debt is projected to stay within the limit set in the medium term.

The limit takes into account repayment of maturity loans.

This indicator cannot be set for 2023/24 and 24/25 as this would require an additional 2 years to be added to the Capital Programme (2025/26 and 2026/27) to allow for the potential to borrow up to 2 years in advance of need to be calculated for inclusion in the 2023/24 limit.

Indicators for Treasury Management

Treasury Management indicators use debt, being formal loan arrangements only, as opposed to the accounting definition of borrowing used for indicator E above, which includes finance leases.

F. Authorised Limit for External Debt

The authorised limit is the absolute limit of borrowing based upon the authority's plans and includes sufficient headroom for unpredictable cash movements. External Debt includes both direct borrowing and indirect borrowing implied in a financing lease or PFI arrangement. It excludes internal borrowing.

	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>
Authorised Limit Set	170,000	185,000	190,000	195,000	195,000	195,000
Projected Gross External Debt	149,564	165,267	170,358	174,783	175,287	173,193
Amount above/(below) limit	-20,436	-19,733	-19,642	-20,217	-19,713	-21,807

The above indicator shows the maximum level of external borrowing including use of financing leases, and net of scheduled repayments on annuity loans. An in principle decision has been made to borrow externally due to the low level of balances not allowing for significant increased internal borrowing.

The Council is projected to stay well within the Authorised Limit set. This limit is at the Council's discretion and any change in the projected external debt should be reflected in this limit.

The limit takes into account repayment of maturity loans.

G. Operational Boundary

The operational boundary should be based upon the authority's plans and should show the maximum level of external debt. It is not significant if the operational boundary is breached on occasion although sustained or regular trend above the boundary should warrant further investigation.

	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>
Operational Boundary Set	165,000	180,000	185,000	190,000	190,000	190,000
Projected External Debt	149,564	165,267	170,358	174,783	175,287	173,193
Amount below Limit	-15,436	-14,733	-14,642	-15,217	-14,713	-16,807

The Council is projected to stay well within this limit.

The limit takes into account repayment of maturity loans.

H. Adoption of the CIPFA Code of Practice for Treasury Management

The CIPFA Code of Practice sets out best practice in treasury management and the Code has always been followed in Richmond. The Prudential Indicator states that Authorities should adhere to the Code of Practice. All Treasury activities currently adhere to the Code of Practice and regular reviews ensure that this continues.

I. Limits on Fixed and Variable Interest Exposure

This indicator is designed to show that the authority can manage fluctuations in interest rates and that both the borrowing and investment portfolios are balanced between fixed and variable rates.

The limits are set on net exposure, which is borrowing (loans and leases/PFIs) less investments.

Short term investments or debt which last less than a year are included as variable rate investments. Although the rate is fixed for the duration, the money may be re-invested or re-borrowed at a different rate when it matures during the year. Investments and debt lasting over a year are included as fixed rate exposure.

<u>Fixed Rate Exposure</u>	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>
Upper Limit	165,000	171,000	177,000	182,000	182,000	180,000
Lower Limit	122,000	121,000	127,000	132,000	132,000	130,000
Projected Exposure	146,512	146,406	152,247	156,672	157,176	155,082

Changes in the exposure limit are linked to the timing of projected borrowing in future years (which will be at a fixed rate) and repayment of existing loans.

<u>Variable Rate Exposure</u>	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>
Upper Limit	-83,000	-60,000	-57,000	-57,000	-59,000	-61,000
Lower Limit	-8,000	15,000	18,000	18,000	16,000	14,000
Projected Exposure	-33,145	-9,739	-7,089	-7,415	-9,115	-10,942

The movements in the exposure limit reflects the projected change balances. Borrowing is mainly taken at fixed rates for certainty, and the variable rate exposure is therefore closely linked to short term investment levels.

J. Maturity Structure of Borrowing

This indicator sets limits for the amount of fixed rate borrowing that will mature within certain time bands in the future. This is designed to ensure that authorities spread the maturity dates of their loans to avoid the risks associated with having to repay or re-borrow large amounts within a short period.

The Council has decided to take all new borrowing on an annuity basis, making annual repayments of principal. This indicator is therefore less relevant for Richmond going forward as the risk of large values becoming due in any one year is mitigated by the regular repayments. Loans which have annual repayments are therefore excluded from this PI on this basis.

	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Estimate</u>
	<u>2020/21</u>	<u>2020/21</u>	<u>2020/21</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Under 1 year	0%	30%	7%
1 to 2 years	0%	40%	8%
2 to 5 years	0%	50%	5%
5 to 10 years	0%	60%	10%
10 to 15 years	0%	}	25%
15 to 25 years	0%	} 85%	35%
over 25 years	0%	}	10%

K. Total Principal Sum Invested Beyond the Period End.

Previously, authorities with debt could not invest for greater than 364 days. Under the prudential controls this restriction is lifted (i.e. Authorities can invest for more than one year).

This limit is to ensure that authorities do not invest too much of their portfolio beyond one year (which could lead to losses in interest during times of volatile interest rate fluctuations)

	<u>Revised</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Limit	10,000	10,000	10,000	10,000	10,000	10,000
Projected Investments at 31st March	750	750	0	0	0	0

Interest rates are usually higher for longer term investments than short term. However, given the current levels of internal borrowing and relatively low cash balances, it is unlikely that there will be significant long term investments in the near future.

Officers are reviewing the levels of "core cash" which could be invested for the medium term with minimal risk to liquidity. These levels will be considered with any potential medium term investments and where the likely increased return outweighs the additional risk of these investments and is significant, longer term investments will be made.

Local Indicators

The Council has opted to set some local indicators to give further information and controls.

L1. Ratio of External Loans to Fixed Assets

The Council has opted to set a further, local indicator to review the value of its external loans.

This looks at the ratio of anticipated external loans to anticipated value of fixed assets (land & buildings, furniture, equipment, long licences etc.).

	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>
Value of Loans at 31st March	131,917	148,876	155,322
Estimated value of Fixed Assets at 31st March	1,201,891	1,260,036	1,315,097
Loans as % of Assets	11.0%	11.8%	11.8%
Current Limit	15.0%	15.0%	15.0%

The estimated value of assets includes allowance for depreciation and revaluation changes as well as sale of assets per the approved disposal programme.

This indicator is rising due to both the use of borrowing to finance capital spend and the reduction in asset values as academy school buildings are transferred to academy responsibility.

L2. Ratio of Gross Loan Interest to RuT Gross Budget

The Council has opted to set a further, local indicator to review the affordability of its external loans.

This looks at the ratio of interest payable on anticipated external borrowing in the form of loans.

	<u>Revised</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>
Budgeted Loan Interest	4,806	4,955	4,903
RuT Gross Budget	436,956	417,876	417,876
Interest as % of Revenue	1.1%	1.2%	1.2%
Current Limit	2.0%	2.0%	2.0%

London Borough of Richmond upon Thames**Capital Strategy 2020/21**

1. This capital strategy is in response to changes in CIPFA's Prudential Code and Treasury Management Code and sets out the long-term context within which capital expenditure, borrowing and investment decisions are made. It is to be approved by full Council. The overall aim of the framework is to demonstrate that such decisions properly take account of stewardship, prudence, value for money, sustainability and affordability.

2. **Capital Expenditure – Capital Programme**

Overview of Governance Process

- 2.1 The capital programme is based upon the approved capital schemes, Treasury Management Strategy, Asset Management strategy, capital resources projections and an annual process for prioritising additions which recognises cost in use and sustainability issues.
- 2.2 It contains currently approved spending and sets the financial parameters within which the Executive may add to commitments in the context of reserves and resources anticipated in the medium-term outlook.
- 2.3 The overall programme is reviewed and approved by the Full Council in February after additions are made to the programme. Individual schemes may be approved and added to the programme during the year using Cabinet approval or other delegated decision making frameworks as appropriate.
- 2.4 Capital spend and the availability of resources to finance that spend are monitored by the Director of Resources on a monthly basis.

Long-term View of Capital Spending Plans

- 2.5 The Capital Programme considers the programme and available resources for the current year and five subsequent years. The Council's ability to finance capital spending is restricted only by its own view on affordability, subject to the Government's possible imposition of limits on local authority borrowing for macro-economic reasons.
- 2.6 Due to the current pressures on the Council's finances and council tax, potential capital schemes are considered in the context of whether any specific capital resources will be available to contribute towards the funding of

the scheme and the revenue impact of the scheme. General assumptions are as follows:

- a) Expenditure on schools is driven by the Council's duty to educate and provide sufficient places for every age group in buildings which are fit for purpose. While much of the costs of repairs and new pupil places is funded from either Government grant, the Council will also use S106/CIL receipts and other resources and borrowing as required to meet this statutory duty.
- b) For non-housing and non-school related Council operational property, schemes are prioritised where they will either provide future revenue savings, are critical to keeping a property in use, or will facilitate the Council's regeneration schemes. Schemes that are critical to keeping a property in use are selected based upon the current condition information and maintenance forecast.
- c) Highways type schemes and other areas where there is a regular annual budget are prioritised where there are health and safety considerations to road and pavement users, as well as facilitating travel within the Borough for residents and visitors to promote economic activity in the area.

2.7 The potential sources of finance for the Capital Programme are:

- d) Grants – either earmarked for particular schemes or services, or available for any scheme. There is no revenue effect, provided that the receipt of grant is not significantly delayed.
- e) CIL and Section 106 – these are either earmarked for particular use or generally for a specific type of spend. Where conditions are more general, these will be used to replace financing from borrowing or Council resources wherever possible. There is no revenue effect.
- f) Borrowing – this is used where a need to spend is identified and no alternative funding is available. Borrowing is financially disadvantageous compared to other sources of finance. The Council must make annual provision for debt repayment and debt charges. Where possible the Council will use internal borrowing and the debt charge will be the loss of interest from reducing balances invested. Where there is no scope to borrow internally, external loans are taken out and the Council will make either “repayment” or “interest only” mortgage type payments. All borrowing costs are financed as a charge to the revenue budget (e.g. a charge to the Council Tax payer)
- g) Revenue Reserves – other than specific schemes from the Repairs and Renewals Fund this is rarely used as there are minimal earmarked reserves available. This reduces balances invested and therefore the interest income to the Council.

- h) Capital Receipts – these are used where available in preference to borrowing. There is a loss of investment interest associated with their use. The Council reviews its assets regularly and will dispose of under-utilised assets and has used the proceeds extensively over time to support the Capital Programme. This history of sale of assets has resulted in reduced future sales income and minimal balance of receipts carried forward.

3. Investment

- 3.1 The underlying objectives of the Council's Investment Policy are security of the capital sums invested and liquidity to ensure the funds invested are available for expenditure when needed. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The Council's Investment activities are conducted in a manner that regards the successful identification, monitoring and control of risk as of prime importance and accordingly the analysis and reporting includes a substantial focus on the risk implications.

Treasury Management Investments

- 3.2 These are investments that arise from the Council's cash flows and ultimately represent balances which need to be invested until the cash is required for use in the course of business.
- 3.3 The Council's policy on Treasury Management Investments is submitted to the Audit Committee, the Cabinet and approved by the full Council. The overall arrangements and strategy for the ensuing financial year are reviewed and approved in February or March, an Annual Report after the end of the financial year and a mid-year review report. From time to time the Director of Resources may submit additional reports recommending changes in Policy for approval if circumstances require.
- 3.4 The Director of Resources' responsibilities for Treasury Management are prescribed in the Council's Financial Regulations. Treasury Management activities and issues are reviewed at least monthly by a Treasury meeting within the Resources Directorate and chaired by the Director of Resources. Day to day Treasury Management activities are handled by the Financial Management Division of the Resources Directorate in accordance with a Treasury Systems Document. Treasury Management staff attend training courses to ensure they maintain sufficient knowledge and keep up to date with current developments.

- 3.5 Treasury Management advisers are appointed at least once within the lifetime of each Council to carry out an independent review of the Council's Treasury Management activities.
- 3.6 The Council's detailed investment policy is contained within the Treasury Policy Statement. Its overriding purpose is the control of risk. It specifies the types of investments that may be used and the limits of their use. These limits relate to the maximum time period for each investment type and to the maximum amount that may be held at any one time. The choice of limits is governed by the requirement to safeguard the security of the Council's portfolio and to spread risk through suitable diversification. The Council uses credit rating information from the three main credit rating agencies (Fitch, Moody's and Standard and Poor's) and this data is supplemented by other available information where appropriate. The limits also consider liquidity requirements and finally the yield that may be obtained.
- 3.7 The Council held investments of £81m at 31st December 2019 at an average rate of 0.98%. The Council is expected to begin 2020/21 with investments of around £25m and the estimated movements for the following two years based upon current cash flows show that investments are likely to decrease slightly to around £25m.

Investments that are not part of Treasury Management Activity

- 3.8 The Council may invest in other financial assets and property primarily for financial return that are not part of Treasury Management activity. These activities are subject to similar assessments of risk as for Treasury Management investments. They are approved as part of the capital programme as described in Sections 2 or 3 of this Capital Strategy.
- 3.9 Investment Property. The Council owns Investment Property and may occasionally use capital receipts or other funds to purchase investment properties. The annual review of Council assets may lead to operational use ceasing and the asset being reclassified as an investment property either to retain them long term for income generation or pending a further decision to dispose of or redevelop the site. The level of borrowing required to finance the Capital Programme is a consideration when reviewing the use of these assets.
- 3.10 Loans to facilitate Council Policy. The Council may make loans to organisations the Council has an interest in (e.g. WLWA, SWMCB, AfC), academy schools, other service providers, voluntary organisations or other bodies working to achieve Council priorities. The Council's Treasury Policy Statement also covers the terms under which such loans can be made.
- 3.11 The main loans made under this facility at present are :

- £15m loan to WLWA to facilitate the building of a new EfW facility. This is made by Richmond as a constituent authority of WLWA who will therefore benefit from the improved facilities. This loan is now being repaid so the balance is declining. Interest was fixed when the loan was agreed, at a level
- Revolving Credit Agreement for AfC where the Council shares the cash flow “overdraft” funding for AfC pro rata to its ownership of the organisations with RB Kingston and RB Windsor & Maidenhead. This loan varies with the cash flow of Achieving for Children.
- A loan to the South West Middlesex Crematorium Board has been agreed in principle to finance the cremator replacement project. This loan is estimated at £1.1m for around 3 years and is made by Richmond as a constituent authority of the Board.
- The Council is also offering a loan of £6.5m to finance the new waste fleet to the new waste contractor. This option is under negotiation, but any loan would be on a repayment basis for no longer than the life of the contract (10 years).

4 Borrowing

- 4.1 **External Borrowing.** The Council’s external long-term borrowing is from the Public Works Loan Board (PWLB) except for £15m from Mayor of London’s Energy Efficiency Fund (MEEF) and £5m from Barclays Bank. Historically, loans were taken on a maturity basis. However, the decision was taken to switch to repayment loans as a result of changes to the regulatory framework and as a way to minimise cost of carry and the potential loss of investment following financial crisis in 2008.
- 4.2 Given the recent increase in PWLB rates, the Council will consider alternative options for external borrowing to minimise interest costs.
- 4.3 The Council also offers deposit facilities to various other bodies and manages invests on behalf of various Trusts including Richmond Housing Partnership (RHP) which includes funds of £1.325 part of the Development Delivery Agreement. The Council passes on its average investment return to these depositors.
- 4.4 **Internal Borrowing.** This arises where capital expenditure is financed by borrowing but no external loan is taken out. This is effectively using positive cash flow in lieu of external debt. The money still has to be repaid (effectively the Council is not holding the cash required to support its reserves position, and the money will be needed when the reserves are used) but instead of incurring interest costs payable to PWLB or a bank, the Council receives less interest as it holds less investments.

- 4.5 In prior years the Council has had substantial cash balances which were used to support internal borrowing where required as it is cheaper than external borrowing. However, as the Council has a projected continuing need to increase its borrowing, it has to manage the risk of interest rate increases against the current saving. Decisions on capital expenditure being funded from any available cash flow (internal) or formal (external) borrowing will therefore be taken to balance the risks and rewards of both options considering market expectations and the Council's appetite for risk.
- 4.6 The following table shows estimates of the Council's External and Internal Borrowing outstanding balances based upon the currently approved capital programme.

	<u>31st</u> <u>March</u> <u>2020</u> £000	<u>31st</u> <u>March</u> <u>2021</u> £000	<u>31st</u> <u>March</u> <u>2022</u> £000	<u>31st</u> <u>March</u> <u>2023</u> £000	<u>31st</u> <u>March</u> <u>2024</u> £000	<u>31st</u> <u>March</u> <u>2025</u> £000
External Borrowing						
- Loans	131,917	148,876	155,322	161,208	163,290	162,901
- Leases/PFI	16,974	15,718	14,363	12,902	11,324	9,619
Internal Borrowing	33,367	33,132	35,427	33,660	31,988	30,446
Underlying Need to Borrow	182,258	197,726	205,112	207,770	206,602	202,966

- 4.7 **Minimum Revenue Provision.** Regulations issued under the Local Government Act 2003 require local authorities to make prudent provision for the repayment of debt. This is referred to as the Minimum Revenue Provision (MRP) and is funded from revenue (e.g. is part of the Council Tax Requirement calculation). The annual statement on the Council's MRP Policy is contained within the Treasury Policy Statement and approved by full Council in February or March.
- 4.8 **Voluntary Revenue Provision.** The Council can make more than the minimum prudent set aside to cover debt repayment if it decides that is the best use of its resources in any year. However, this would again be funded from revenue budget and as there are other ways to produce future savings in a more flexible way which are more likely to be used.
- 4.9 **Authorised and Operational Borrowing Limits.** Section 3 of Part 1 of the Local Government Act 2003 requires local authorities to set an affordable borrowing limit and operational boundary each year. This is contained within the Prudential Indicators and approved by full Council in February or March each year. The authorised limit was set at £171m in February 2019 for 2019/20 and a limit of £185m is proposed for 2020/21.

Definitions of Budget Headings

SeRCOP

The Service Reporting Code of Practice (SeRCOP) provides guidance on financial reporting to stakeholders to ensure that it meets the needs of modern local government; particularly the duty to secure and demonstrate best value in the provision of services to the community. The code of practice provides a standard subjective analysis to be used by Council's to ensure consistency in Local Government reporting.

EXPENDITURE

Employees

This includes the cost of employee expenses, both direct and indirect, to the authority. Direct employee expenses include salaries, employer's national insurance contribution, employer's retirement benefit cost, agency staff and employee expenses. Indirect employee expenses include relocation, interview, training, advertising, severance payments and employee-related schemes.

Premises

This includes expenses directly related to the running of premises and land and covers repairs, alterations and maintenance of buildings, energy costs, rents, rates, water services, fixtures and fittings, apportionment of expenses of operational buildings, cleaning and domestic supplies, grounds maintenance costs and premises insurance.

Transport

This includes all costs associated with the provision, hire or use of transport, including traveling allowances and home to school transport. It covers direct transport costs such as repairs & maintenance and running costs as well as recharges for vehicles hired from a central pool, hire and operating leases, staff traveling expenses, transport insurance and car allowances.

Supplies and Services

This includes all direct supplies and service expenses to the authority. It covers equipment, furniture and materials, catering, clothes, printing, stationery and general office expenses, communications and computing, members' allowances, expenses including subsistence and conferences, grants and subscriptions, Private Finance Initiative, and miscellaneous expenses.

Third Party Payments

A third party payment is a payment to an external provider or an internal service delivery unit defined as a trading operation (e.g. payment to a building firm would be shown under Premises costs).

Transfer Payments

This includes the cost of payments to individuals for which no goods or services are received in return by the local authority. This covers mandatory and discretionary awards to students, payments to Social Services clients, and Housing Benefit payments.

Support Services

Charges for Legal and HR shared services that are hosted by other Local authorities and support the provision of services to the public. These are apportioned or allocated to the service divisions that they support using an agreed method.

INCOME**Government Grants**

This covers all specific and special government grants.

Other Grants & Contributions

This includes income received to finance a function/project which is undertaken with other bodies and other contributions from other local authorities.

Customer & Client Receipts

This includes sales of products or materials, fees and charges for services, use of facilities, admissions and lettings.

FINANCIAL ACCOUNTING ADJUSTMENTS**Central Support Charges**

This covers charges for services that support the provision of services to the public. These costs are apportioned or allocated to the services they support and include the costs of finance, IT, human resources, property management, office accommodation, legal services, procurement services, corporate services and transport functions.

Central Support Income

This covers income for the services that support the provision of services to the public.

Capital Charges

The costs associated with the revenue impact of capital items in the service revenue accounts are reported here, these items have a net effect of nil on Council Tax. The charges record the affect of depreciation, revaluation losses, loss of impairment of assets, amortization of intangible fixed assets and movement in fair value of investment property.

OTHER DEFINITIONS**Business Rates Levy / Tariff**

As part of the new business rates retention scheme, a tariff and levy approach has been implemented to enable a one-off distribution of resources at the outset of the scheme. This is calculated for each individual authority, by comparing the business rates baseline against its baseline funding level. An authority with a higher individual authority business rates baseline than its baseline funding level pays a tariff, and the opposite applies for a levy payment.

Collection Fund

Local authorities who are required by law to collect Council Tax and Business Rates must establish a 'Collection Fund' that records the amounts collected from Council Tax and Business Rates separately from the Council's own accounts. The Collection Fund also shows payments made to the government and precepting authorities, and transfers to the Council's General Fund.

Corporate and Democratic Core

This comprises corporate management and democratic representation and management costs.

Depreciation

The writing down of the value of a fixed asset in the balance sheet in line with its expected useful life.

Earmarked Reserves

Amounts set aside for specific purposes falling outside the definition of provisions.